

JPRS 84368

20 September 1983

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2450



FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

20 September 1983

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2450

CONTENTS

CZECHOSLOVAKIA

- First Test Tube Calf Birth Reported
(Vjaceslav Batrakov; ROLNICKE NOVINY, 8 Jul 83) 1
- Agricultural R&D Cooperation With USSR Discussed
(A. Timakov; ROLNICKE NOVINY, 8 Jul 83) 3

HUNGARY

- Official Discusses Bailout of Second Major Enterprise
(Istvan Matko; MAGYAR HIRLAP, 28 Jul 83) 6
- Hungary, USSR To Cooperate in Production of Farm Machinery
(FIGYELO, 11 Aug 83) 9
- Pros, Cons of Leasing Farm Equipment From Production Systems
(Istvan Kapronczai; FIGYELO, 11 Aug 83) 11
- Pricing Practices of Large Farms Studied
(FIGYELO, 11 Aug 83) 13

POLAND

- Changes in Foreign Trade Management for 1983 Outlined
(HANDEL ZAGRANICZNY, No 2, 1983) 16
- Expert's Opinions, by Eugeniusz Harasim
Overcoming Economic Crisis, by Juliusz Kotynski
- Substandard Performance of Transport Industry in 1982 Reviewed
(Albin Jagiello; EKSPLOATACJA KOLEI, No 4-5, Apr-May 83) 23

ROMANIA

- International Cooperation in Raw Materials Encouraged
(Sanda Arsene, Spiridon Manoliu; REVISTA ECONOMICA,
Nos 30, 31, various dates) 29

YUGOSLAVIA

Leading Economist Discusses Problems, Prospects of Crisis (Dragomir Vojnic; START, No 378, 16 Jul 83)	39
Sociologist Claims Widespread Malaise From Economic Disarray (Ylva Floreman; DAGENS NYHETER, 24 Aug 83)	52
Exports, Imports of Agricultural Products in 1982 (GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRERADE I PLASMANA, Jun 83)	56

FIRST TEST TUBE CALF BIRTH REPORTED

Bratislava ROLNICKE NOVINY in Slovak 8 Jul 83 p 5

[Article by Vjaceslav Batrakov: "Herds From Test Tubes; Successful Experiment To Help Breeders"]

[Text] On 24 January of this year a cow named Nadezda belonging to the experimental farm of the All-Union Scientific Research Institute of Animal Production gave birth to a young bull named First-Born. This is the first time in world science and practice that a healthy offspring was successfully obtained as the result of complicated artificial procedures which make it possible to fundamentally change traditional methods of breeding.

Throughout its short lifespan a cow can produce no more than 10 calves by natural means. No matter what valuable genetic characteristics she possesses she is not able to pass them on to the herd at large. Therefore, until recently, bulls were the propagators of genetic materials since the methods of artificial insemination and storage of frozen sperm enabled a single individual to have tens of thousands of offspring. As a result, breeding was carried out exclusively from the offspring of bulls obtained from various cows and the hereditary materials borne by cows were inevitably lost and had no part in propagation.

In recent years the situation has changed somewhat. Procedures have been worked out and put into practice which make it possible to get several dozen calves from one cow. In essence, under the influence of certain hormones in the organism of the donor cow which has valuable genetic traits, not just one egg matures, as is customary, but rather several at the same time--up to 10. These eggs are fertilized and then transplanted to the recipient cow which thus becomes a kind of living incubator and gives birth to elite offspring. Thus it is possible to conduct breeding work not only along the lines of the bull but also from the offspring of cows, which considerably speeds up the formation and propagation of new, highly productive breeds.

Nevertheless, the genetic potential of cows and bulls continues to remain of unequal value, up to a thousandfold. It appeared that there was no way of crossing this barrier. But such a means was found, as is proved by the birth of the bullock First-Born.

In the egg cells of every cow, regardless of how many calves she has borne, are tens of thousands of so-called oospheres, germs of mature egg cells, as it were. When a cow, which throughout her life used only a few of the oospheres of the existing huge supply, is slaughtered, tens of thousands of the oospheres perish with her, that is, tens of thousands of potential offspring.

Under the guidance of Academician L. Ernst, a method was developed which makes it possible to obtain healthy calves by making use of the oospheres coming from the dead cow. The main problem was how to keep the oospheres alive, bring them to the stage of mature egg cells and then transplant them into the recipient cows.

This work was accomplished, thanks to the joint efforts of workers of the All-Union Institute of Animal Production, the Institute of Animal Genetics and the Institute of Biochemistry and Animal Nutrition. At the present time almost 70 percent of oospheres are successfully brought to the stage of mature egg cells, of which 15 to 20 percent are successfully fertilized. The successful experiment with the cow Nadezda demonstrates that the results of research, even in the foreseeable future, will help breeders to rapidly develop new, highly productive breeds and quickly distribute them to farms.

8491

CSO: 2400/361

AGRICULTURAL R&D COOPERATION WITH USSR DISCUSSED

Bratislava ROLNICKE NOVINY in Slovak 8 Jul 83 p 5

[Article by A. Timakov, first scientific secretary, Soviet section of the Permanent Commission for R&D Cooperation Between the USSR and the CSSR: "A Joint Task"]

[Text] Cooperation in the area of research and development [R&D] between the USSR and the CSSR in the area of the agroindustrial complex has a long tradition. It is taking on special significance at present when the Soviet Union is carrying out its food-producing program. Today the working program of Soviet and Czechoslovak scientists covers approximately 40 topics of current problems of agricultural science and practice.

The joint task important to both countries is increasing the fertility of grain cultivation, increasing the production of grain. For some time now, the CSSR has been allowed to cultivate Soviet Mironovsky, Iljicov and Kaukaz varieties of winter wheat. In the USSR, they have planted zones of Czechoslovak varieties of spring barley, such as Ametyst, Valticky, Dvoran and others. Scientists of both countries are working on improving new varieties. Cooperation includes the exchange of information materials, technical documentation, samples of seeds, plant materials and such. For example, in 1981 alone, 3,250 tons of winter wheat seeds, 220 tons of rye and 1,160 tons of millet were delivered to the CSSR from the USSR and the CSSR sent to the USSR 8,650 tons of spring barley seeds and 198 tons of winter wheat.

Since 1977, the Mironovsky Scientific Institute of Wheat Research and the Institutes for Improving Grain and Plant Production in Kromeriz and Prague-Ruzyn have been carrying out joint operations in creating new varieties of winter wheat and barley. Every year they exchange 15 to 20 new varieties and more than 400 hybrid specimens. Winter wheat varieties and hybrids from the CSSR are of great interest to the Soviet Union as improvement materials. The best lines created from Mironovsky and Czechoslovak varieties recorded yields of 5.6 to 7.2 tons per hectare in the dry year of 1982, or 1.5 to 2.2 tons more than the zoned varieties, have a high resistance to lodging, rust and mealy moths and have a high protein content. Altogether, 74 new joint varieties from 800 hybrids are under study.

In the years 1980 to 1982, 20 varieties of spring barley from the CSSR were under study in the Soviet Union and 9 of these were considered to have future

prospects. Almost half of all cross-breeding of spring barley in the Mironovskiy Scientific Research Institute is done with materials obtained from the CSSR. This year for the first time a joint variety of spring barley, provisionally called Mironovskij-66, is being tested in the USSR. Its yield is 5.7 tons per hectare, which is 0.5 tons more than the standard. The grain has outstanding beer-brewing properties, the straw is short and resistant to lodging. The variety tolerates drought and fungus diseases well.

New, short-stalked varieties of barley, Viola, Istrinsky and Imitsky, were also produced with a potential yield of 8 tons per hectare. In recent years, seven new varieties of barley were developed in the USSR using Czechoslovak varieties. Some of these are already giving yields and others are successfully undergoing tests.

The All-Union Research Institute of Microbiology in Leningrad and the Prague Institute of Entomology developed a new preparation against the Colorado potato beetle. It is already in industrial production and in 1981, 350,000 planted hectares were saved by it. The preparation makes it possible to save up to 30 rubles per hectare.

Increased production of fertilizers and their economical application is one of the lessons learned from the food program. Plants in Grodno, Dnepropetrovsk, Cerkasy, Fergana and Togliatti are fitted out with equipment produced in Czechoslovakia. Some of these deliver part of their production to the CSSR. Together with the CSSR, they are now working on new types of equipment for the production of urea with a capacity of 1,500 to 1,700 tons daily. In cooperation with Czechoslovak experts, special protective devices were developed permitting the preparation and storage of the fertilizer in an open storage position, protecting it from settling and hardening.

Czechoslovakia is a large-scale producer and world exporter of equipment for storing and treating grain. In this 5-year plan it will deliver silos with a total capacity of 500,000 tons to the USSR. In this area, too, joint research is being conducted. They are working on new, modern types of grain-drying chambers and containers for transporting grain.

In vegetable culture, through the work of technicians of both countries there is industrial technology for cultivating onions and carrots, improving strains of cucumbers and tomatoes so as to make them suitable for mechanized cultivation and harvesting and developing cabbage hybrids resistant to diseases and capable of long-term storage. Last year in Moldavsko, they tested prototypes of two kinds of binding devices which were designed by Soviet and Czechoslovak experts. The tests were successful. In Stavropolsky Kraj they are testing an experimental pumping station, "Flora," with a new automatic system of Czechoslovak manufacture. Direct deliveries of various irrigation technologies from the CSSR will reach 80 million rubles this year. On the other hand, the CSSR is buying 42 binding devices of the "Fregata" type which have proved very successful in Czechoslovakia.

There have also been important experiences in cooperation in the field of poultry farming. By using the experience of Czechoslovakia with denser

placement of fryers, the USSR was able to increase its production 20 to 30 percent and decrease costs. A joint design was worked out for an experimental complex to fatten 500,000 geese annually. The new technology increases productivity by one and one-half times. Large-scale poultry houses are now being built in accordance with this design in Kekchetavskij Oblast and in Dunajská Streda and Michalovce. They also worked on the design of an experimental complex for raising 500,000 turkeys annually. Compared with current designs, this one reduces by more than one-half the labor required to produce 1 ton of meat. The construction of the complex according to this design was started in the CSSR in the vicinity of Zvolen and a locale for this kind of building is being sought in the USSR.

These are only a few of the directions in which Soviet and Czechoslovak specialists are cooperating to raise the productiveness of fields and farms. We greatly value the results of this cooperation which is beneficial to both sides and we are convinced that in the future it will be even more successful.

8491

CSO: 2400/361

OFFICIAL DISCUSSES BAILOUT OF SECOND MAJOR ENTERPRISE

Budapest MAGYAR HIRLAP in Hungarian 28 July 83 p 7

[Article by Istvan Matko: "Improvement Program of United Incandescent: By Means of Forgiving Loans, Financial Support--Even Personnel Charges"]

[Text] At its weekly session last week the Council of Ministers discussed the report prepared about the economic operation of the United Incandescent Lamp and Electric Corporation and accepted the plan developed to improve the work of the major enterprise. We talked on this occasion with Andrea Deak, industrial economics group chief at the Ministry of Industry, and chairperson of EVIRT's [United Incandescent Lamp and Electric Corporation] control commission.

It is a tradition of economic management to review from time to time the activity of an industrial subbranch or of a major enterprise which is definitive for an industrial area--using its license as owner. Was this or perhaps something else involved here? And further, what made it necessary after reorganizing the Csepel Works to place the case of perhaps the other largest one of the Hungarian industry on the agenda?

The Source of Tensions

These questions become necessarily defined and not only among the workers of the significant major enterprise but also in public opinion. Andrea Deak who participated in the examination and in developing the corrective program, talked in introduction about the goals of this work:

"The Incandescent is one of the most significant enterprises of Hungarian industry. If trouble develops here the entire Hungarian industry feels it. At the moment the United Incandescent employs 24,000 people, the most among Hungarian industrial enterprises. It has over 4 billion forints of net fixed assets, and is one of the eminent exporters of the Hungarian economy: its convertible export exceeds 10 percent of the machine industry's export. All this justifies following this enterprise with special attention. Beyond this, the immediate reason still was that tensions had developed in the enterprise's

economic operation and financial situation in the second half of the Fifth Five-Year Plan's time period due to external and internal problems, and the enterprise was unable to make payments on its loans. This moved the National Planning Commission as early as 1980 to work with the enterprise. The EVIRT was given a loan moratorium with certain requirements, that is, its loan repayment obligations were suspended until the end of September 1982. Unfortunately this "intervention" did not produce results and a new comprehensive analysis of the enterprise's work became necessary along with examining how the enterprise's economic situation can be put into order permanently, and how its growth can be ensured."

[Question] But what is the cause of the tensions, and what caused the problems in EVIRT's economic operation?

[Answer] The National Planning Commission [AT]--with the aid of honest, revealing, and realistic self-analysis by the enterprise--has identified several interrelated reasons. The insufficiently thought-through development ideas played a role in creating financial tensions, slowing the enterprise's growth, and decreasing its competitiveness just as well as did the lack of organization of the economic operation, unsatisfactory marketing work, rigid organization and internal management. To provide some details: in spite of the investments the inexpensive mass production items became predominant in the product structure, rather than the good quality and higher value products. Even though the accumulated intellectual capacity and tradition enabled the enterprise to make these. On the other hand the unique situation has developed where the most valuable technology--the machinery and equipment--are in Budapest, while the manpower is available at plants located in the provinces. Because of this manpower shortage and manpower surplus developed at the same time within United Incandescent! It is also part of the truth that sometimes employment policy received more emphasis in the Incandescent's investment decisions than did profitability. A uniquely vigorous export expansion also played a role in the increase of the enterprise's financial woes, because the enterprise was unable to finance its export expansion from its own resources, obtained capital for its revolving assets mostly from loans, but the loan interests further deteriorated its efficiency. This is not simply the fault of United Incandescent. It also illustrates that the mechanism for creating the necessary money sources for rapid growth have not yet been developed in this country.

[Question] In your opinion the enterprise made a realistic evaluation. Is this suitable for EVIRT to climb out of the problem? What goals did the Ministry of Industry specify in the corrective program?

Method of Cure

[Answer] The state organs and the enterprise sought the method and tools for the solution together. By this I would also like to emphasize that correcting the enterprise's problems has tasks for the enterprise as well as for its owner. Several personnel changes have taken place in the enterprise's management, there is a new general manager, and there are new managers in engineering, production and sales. Among other things this is also an important guarantee for the desired changes. Beyond the problems the enterprise's self-examination

also pointed out how the product structure must be changed, and how the enterprise's assets and the available manpower must be utilized. A program has been developed for capacity utilization to promote improvements in efficiency and profitability, to decrease defective products and to better manage the revolving assets. A modern internal mechanism is being introduced; the independence of departments and their interest in profits was and is being increased significantly, and this makes more efficient economic operation possible which takes the initiative and accepts risks.

[Question] Excuse me for interrupting but would it not have been expeditious to reorganize the United Incandescent on the basis of greater independence than this, similarly to the Csepel Trust?

[Answer] A great difference is that internal cooperation in the Csepel Works does not even amount to 10 percent of the value created, while this approaches 30 percent at the United Incandescent. Several factories have spun off of United Incandescent in recent years. Technologically these were not connected organically to the basic activity. To continue limiting the measures taken, efforts are being made in the Incandescent to modernize the extensive foreign market sales organization. According to the resolution we must examine also beyond these whether further organizational steps will be necessary. In any case the export policy is being reviewed since at the present time EVIRT delivers products to about a hundred countries with a very uneven distribution: only 2 percent of the export is shipped to 36 countries. This export can hardly be profitable! I have indicated that the corrections are bilateral, and the state is now creating the conditions for consolidation by forgiving repayment of the loans taken on for fixed assets which are no longer operating, and assumes the responsibility for the other portion. The remaining loans owed will be restructured and significant sums of assistance will also be extended to the enterprise. With this the EVIRT can in essence turn a new page in its history, hopefully a new stage of growth.

Control, Guarantee

[Question] After all this the question probably occurs to many people: when will the significant assistance by the state, that is, the investment of public money, be recovered? Aren't we witnesses to state aid repeatedly averting temporarily the biggest problems in the enterprise's life, followed by repeated downslides again?

[Answer] There is no doubt that this measure involves new financial aid by the state, but we find this to be justified and the only passable way. By means of the program that has been developed now and the system of conditions, we have guaranteed that in the coming years the enterprise will not only protect its position on the market but will also begin to grow and can expand its export. As a result of the conditions repeatedly created by the state and of the efforts made by the enterprise, by 1985 the Incandescent must climb out of the sphere of low efficiency, then after that it must operate in a balanced and profitable manner.

The control commission will also continuously and yearly check on implementation and the ministry is required to keep the National Planning Commission informed of the results.

HUNGARY, USSR TO COOPERATE IN PRODUCTION OF FARM MACHINERY

Budapest FIGYELO in Hungarian 11 Aug 83 p 11

[Article: "Hungarian-USSR Farm Machinery Manufacturing Production"]

[Text] Hodgep is an important machine manufacturing base for large-scale vegetable production in the socialist countries. Nowadays cooperation is developing between the enterprise and Soviet farm machinery production as a result of which the CEMA countries will be provided the most important machines and machine series for the large-scale production and harvesting of peas, onions, tomatoes, cucumbers and table paprika.

They first specialized the enterprise which manufactures a great variety of agricultural means for the mechanization of agricultural material movement. The country's largest agricultural delivery means was developed which is at the same time suitable for the transport of a wagon and one-half of produce. Certain vehicles also perform various agricultural operations in addition to being used for delivery like, for example, artificial fertilizer spreading, organic fertilizer spreading, load lifting and loading. The manufacture of delivery means by the enterprise is now important even in international perspectives. As of the present, more than 300,000 units of various types of trailers have been shipped from the factory area.

Cooperation has been established between Hodgep and the GDR Fortschritt Kombinat for the joint manufacture of a 10-ton load capacity universal trailer, whose supplementary mountings and great load-bearing capacity make its use economical. It is used primarily for an organic fertilizer spreader, but with its capacity-increasing adapter it can be transformed into a fodder transport vehicle. In addition to winning numerous international exhibit prizes, it has six times won the GDR Council of Ministers' Quality Award, the "Q" plaque.

In the central Hodmezovasar factory of the enterprise the machine parts are made today in factories equipped with computerized lathes, electronic plate processing production lines, digital computer cutting machines and program-control cutting torches. In possession of such technical conditions and outstanding intellectual capacities, the enterprise was able to make a place for the solution of problems in the "vegetable profile." Within a short time they worked out and manufactured on assembly lines the various types of vegetable harvesters.

For years Hodgep has been manufacturing and exporting high-performance machines suited for the production and harvesting of green beans, peas, cucumbers, onions, tomatoes and paprika. In recent years, the enterprise has also been engaged not only in complete machine systems but the sowing of seeds, the application of herbicides and agrotechniques appropriate to a given country's climate and soil conditions; and it also guarantees production results and loss-free harvest.

They have been working in Soviet Moldavia for years with this kind of cooperation, and here in wake of the successful results they have been increasing from year to year the sowing area for onions, cucumbers and other vegetables. For years they have also been delivering to the Soviet Union various kinds of pea harvesters.

In recent times emphasis has been placed on more modern, self-propelled means than those hauled by power machines which up to now we could manufacture only with the help of capitalist import components. It is primarily to solve this problem that Hungarian-USSR cooperation is evolving in increasing proportions in order to make capitalist import superfluous.

The two main areas of Hungarian-Soviet cooperation are in development and manufacturing. In both areas the cooperation includes new features. In development, a higher degree of cooperation is represented by the fact that a task-oriented, scientific cooperation is being established instead of an incidental one. The new feature of the joint cooperation is the coordination of the full manufacturing structure and a cooperation based expressly on component parts.

This year the peas combine consisting of 10 units was ready, and a model of it is being examined during these weeks in the Soviet Union. Important parts of this almost 10-meter long and 3.5-meter high equipment, that is, the driving motor, the hydraulic control gear and the form-planned driver cabin are of Soviet manufacture. Various parts of the combine are the work of Hodgep. The performance capability of the machine is twice that of its predecessor, the hauled machines. For its operation a motor with about 50 less horsepower is enough, and the net weight of the combine is about 6,000 kg less. With the use of the Soviet structural elements the import of about 700,000 forints' worth of capitalist import spare parts become superfluous.

A similar situation exists with the onion harvester, which also operates with a Soviet driving system and hydraulics. The basic construction of the cucumber harvester is Soviet, while the digging structure, cleaning equipment and the uplift structure of the tomato combine are of Hodgep constructions.

For Hodgep the task is an annual 600 million forints' worth of export to the Soviet Union, and 200 million forints' worth is expected, of such deliveries to Agromas [joint Hungarian-Bulgarian foreign trade enterprise for agricultural machinery] member countries; and at the same time it also counts on considerable exports to the West. All this will take up more than one-half of the enterprise's capacity.

6691

CSU: 2500/410

PROS, CONS OF LEASING FARM EQUIPMENT FROM PRODUCTION SYSTEMS

Budapest FIGYELO in Hungarian 11 Aug 83 p 11

[Article by Dr Istvan Kapronczai: "To Buy or to Lease"]

[Text] In the technical development of agricultural production, systems have gained historical value. In the meantime, however, the general technical and technological level of agriculture has approached that of the production systems, and farm managers are evaluating in an increasingly complex way the relationship of production systems and farms. A survey of the Cooperative Research Institute on the characteristics of the decision-making mechanism published this view of a cooperative secretary in the tsz [producer cooperative] area: "Essentially, the production systems are linked to the investment processes through their machinery distribution functions, these provide the leading technologies and in this they have a monopoly situation."

According to the chairman of a producer cooperative: "The role of production systems is important in machine investments because the machinery that can be purchased for convertible currency can be acquired only through them. We do not agree with this. For example, we had to join a production system in order that we might be able to purchase a Class Dominator hill combine which otherwise we could not attain. Joining the production system is also justified by the fact that this is the only way we can assure spare parts for our power machines and vehicles, because spare parts delivery in trade is weak."

"Two-edged" Solution

The acquisition monopoly of sought-after machinery and--according to the views of certain cooperative managers--the fact that "in the interest of attaining higher production averages the system owners frequently recommend the more investment-intensive solution" does not mean a questioning of the basically positive role of the production systems. It cannot be disputed that with their professional training they raised to a high technical, technological and genetic level several of the subbranches, primarily crop production. Here I shall only analyze, however, the role it fulfills in the investment decision-making mechanism. It can immediately be established that the cooperatives as a whole value this role favorably.

In general the production systems may acquire machinery in two ways for the farms. There is the system--Industry-type Corn Production System (IKR)--which purchases high-value machinery itself and lets these out to the member farms

for leasing fees. But in most of the production systems the machinery is the property of the member farms in the system. The system acquires for the farms only the machine-purchasing license or the credit for financing the purchases.

The leasing system is a two-edged solution. On one hand it helps the cooperatives, because they can realize very important "machine investments" of significant value by financing them in installments charged to costs. This does not put a burden on the "expensive" development bases. On the other hand, however, the income that can be realized is smaller because of the leasing system, that is to say, amortization is not realized. And this can lead to the gradual impoverishment of the member farms, the loss of their economic independence and perhaps a shortage of funds. In all probability it is in order to spare the development fund that those farms which have no free development sources for machine investments join the generally known "expensive" system which demands a high production level, or the IKR.

With Whom Does the Bank Negotiate?

Those cooperatives which use so-called administrative support (license, credits, etc.) of the production systems maintain that the bank enters more readily into negotiations with the farms that have the backing of a production system. Several cooperative chairmen regard this as so important that in their view "the MNB [Hungarian National Bank] allocates machine credits via systems and gives priority to requests of this kind."

Production systems are more experienced than individual cooperatives in negotiations with the bank. Being more familiar with bank requirements, they "operate more knowledgeably with plan numbers." In addition, they know for what kind of investment a given producer cooperative was granted credit in a given Megye.

Because of their position, the production systems give help primarily for the purchase of machinery that can be acquired from convertible currency imports. A finance and foreign-commerce ministerial order, however, causes problems. According to this order, "an import license may be requested only on the basis of a verification by the finance institute that conducts the financial negotiations according to which the gross ... forint countervalue of the product order is available on a separate collateral insurance account."

This means that the cover for machinery coming from convertible currency markets must be remitted immediately with the licensing, although the machine may arrive considerably later. The real problem, however, arises in those cases where the order for this machine--which was financed with bank credit at an interest rate over 10 percent--is returned by the traders after several months or even years.

Hence the production systems extend effective help to the investment decisions of the producer cooperatives. It would be wrong, however, not to give a sense of those changes which also make it necessary to renovate the production systems. As a result of the economy's situation, both the possibilities for purchasing import machines and the credit sources are becoming tighter. Thus the systems can provide fewer and fewer modern machines for their member farms or obtain less credit for them.

PRICING PRACTICES OF LARGE FARMS STUDIED

Budapest FIGYELO in Hungarian 11 Aug 83 p 11

[Article by E.B.: "Pricing Practices on Large Farms"]

[Text] Pricing practices on large farms have several characteristic features. Together with agricultural production they deal with work that is closely linked to basic activity (machine repair, delivery, etc) and with so-called supplementary (industrial-product manufacturing and servicing and commercial) activity. Price and prime-cost calculation tasks linked to acquisition and selling activity are also differentiated.

Depending on the various price forms, the nature of the price work is also different because in places where the prices are officially regulated the farm price work extends to the correctness and implementation of the official price application--except for new products that belong to the official price form where price is based on farm initiative. However, where the prices are shaped by one kind of arrangement, it is possible to speak of an active farm price policy. This refers primarily to industrial and service activity. However, the acquisition and selling prices linked to the basic activity are shaped independently of farm decision.

The starting basis for the farm organization of price work is the prime-cost calculation and price formation regulation that the farm is required to prepare, and which cannot be in contradiction to financial, price formation and other statutory regulations.

Reported Intent

The price work of industrial and service activity on large farms has expanded significantly in the past 15 years, and it has also improved. The great majority of errors and weaknesses discovered by price control derive from lack of experience. In some cases, however, light has also been shed on flagrant price hikes. And unfortunately this has shed a bad light not only on the given farm but in general on supplementary activity. But this activity adjusts flexibly to the changing requirements and reduces the number of items in shortage, its establishment and expansion do not require state support, the investment requirement is low, it creates the possibility for the continuous employment of the members and the employees and it is one of the effective means of establishing industries in the villages.

The so-called "overhead load" capability of this activity cannot be ignored, or its role--and in fact it is very important that the profit formed in this way generally supplements the more modest profit of the basic activity or counterbalances the deficit.

The 1983 regulators did not bring considerable changes in the price work of industrial activity, and in essence the goal is the further development of the price formation system that has been developed since 1980. The tightening of the regulator system is brought about by changes in credit conditions or the interest, and many other factors compel a firm not only to concentrate more on price work but even to rely on it.

In our price system we realize both the officially regulated (fixed and limited) prices and mobile and free prices set and prescribed between limits on the basis of agreement between producer and buyer.

Various limits define the possibilities of price change in the free-price area of products. One such limit exists in the case of products that are set by statutory law or to an extent determined by the enterprise profit that obligates the economic unit to report to the price authorities their intention to change (raise) their charges for free-price products and services.

What Makes Profit Unfair?

Apart from certain exceptions--for example wine, packaged food, etc--the general rule in the MEM [Ministry of Agriculture and Food Industry] area is that the intent to make price changes is bound not to the product but the level of profit. In essence this means that every economic unit is obligated to report if it intends to raise the price of products that are listed under the free-price form. This is put as follows in the basic order: to the extent that the enterprise profit exceeds the means plus 6 percent of wages and, in the case of services, means plus 9 percent of wages they are obliged to report their intent to change prices.

With respect to large farms and afeszes [General Consumer and Marketing Cooperatives] the rule is modified or supplemented to the extent that in these cases the 6 percent profit is the standard as projected for the sales of total industrial activity in the case of the profit limit, while in the case of services the 9 percent profit for material-free sales is determining.

It is an important consequence of this regulation that the price-regulating orders do not prescribe profit limits but merely determine at what profit level it is obligatory to make price reports. That is to say, neither in the food economy nor in other areas of the economy do normative prescriptions regulate the profit that may be chargeable in the prices. In this respect, the Council of Ministers' resolution, which speaks of guidelines regarding the genesis of unfair profit, is standard.

The statutory provisions do not set normatively the extent of profits, and therefore it is very important to observe that we can actually speak of unfair profits if the prices were formed by the violation of price-regulating orders,

particularly if the price thus formed is disproportionately high. This does not exclude, however, the possibility of using a price that is higher than an otherwise proportional price if this is made possible by the production expenditures, the market situation and the supply-demand relation.

Unfair profit, that is, a price increase, may derive in part from the violation of official orders and in part from the fact that the price that is used is not proportional. While in the first case the "situation" of the price authorities is "easy," for it is enough to establish a failure to observe the official rule, in the latter case the judgment of unfair profits causes problems, and penalties may extend all the way from economic fines to criminal procedures.

Recently, government organs dealt fundamentally with this problem and arrived at the conclusion that the sanctions must be made more strict.

6691

CSO: 2500/410

CHANCES IN FOREIGN TRADE MANAGEMENT FOR 1983 OUTLINED

Expert's Opinions

Warsaw HANDEL ZAGRANICZNY in Polish No 2, 1983 pp 3-5

/Article by Eugeniusz Harasin: "New Elements for Conducting Foreign Trade in 1983"/

/Text/ The new mechanism for conducting the foreign exchange of goods passed the crucial test in 1982. This one year's experience generates a reluctance to introduce changes of a fundamental nature. I do not have in mind here any particularly positive results of the function of the new mechanism. inasmuch as exporting results were modest in 1982, but I am thinking about its general determinants. And so, solutions, in the sphere of foreign trade must be subordinated: first to general principles of economic function and secondly, to actual economic conditions of the country. I am of the opinion that the mandatory principles for conducting foreign trade comply well with the general principles, and meet the needs of actual conditions.

For these reasons, the new elements have a rather secondary character. The fundamental principles are not subject to change. This of course satisfies the numerous requirements of industrial and trade enterprises tending to maintain stability of principle. It is also important that the decisions in these matters were made in November of last year and hence fairly early.¹

We shall discuss specific changes or supplements in the principles of the functioning of foreign trade in sequence, without presenting basic solutions already functioning in 1982.

Foreign Exchange Allowances

The mechanism of foreign exchange allowances arouses--next to the system of settling accounts and prices--the greatest interest on the part of manufacturing enterprises and other suppliers of goods and services for export. By the end of last year, allowance rates were confirmed for more than 1300 enterprises. It is estimated that these enterprises will have at their disposal foreign exchange funds representing the equivalence of over 1 billion dollars. What new aspects do the regulations cover in this area? Mainly, they extend the validity of allowance rates for all of 1983. Those enterprises that had received rate confirmation in 1982 have no need to apply again. Obviously--in

case of necessity—it does not hurt or apply for a rate revision, however, the possibility for rates increasing is slim, inasmuch as an increase in quotas for rates could lead to a restriction on the freedom of purchase within the framework of rates. Prior to this, the Commercial Bank did not apply these restrictions. A possible reduction in rates for less profitable exports is anticipated with an increase in rates for those exports that are extremely effective. However, in 1983, a verification of rate allowances will be conducted. Possible changes may effect only individual extreme cases.

Free Selection of Foreign Trade Enterprise

Statutory regulations anticipate the possibility of selection by the producer of one of the foreign trade enterprises for the purpose of implementing export of his merchandise. The Ministry of Foreign Trade issued a communique regulating this matter more concisely. In the communique, the scope of free selection was limited, taking into consideration the urgency for reasonable application of experience acquired over the years, market knowledge and merchandise specialization of foreign trade enterprises. Principal conditions were established which the producer must fulfill in changing foreign trade enterprises. Among other things, there is the fulfillment of foreign contracts previously negotiated, and an inquiry as to whether a possible change will cause an essential decline in foreign exchange influence on a given commodity, or produce competition among Polish enterprises in a given foreign commodity market. To state it briefly, the communique introduces restrictions that are negatively regarded by some authors. However, I do not entertain meritorious polemics on this topic nor on any other topics discussed in the article, inasmuch as it is of an informational nature.

Domestic Rates and Accounting

These problems belong to the most controversial and deal with foreign exchange rates in particular. The essence of the matter depends on the fact that in practice two important economic reform assumptions are not implemented. First, import and export prices for raw material supplies are currently considerably lower than contract prices; that is, world prices converted to zlotys according to current foreign exchange rates; secondly, present foreign exchange rates do not assure export profitability in an anticipated sphere. At press time, no decision had been adopted to increase the rates of foreign currency in zlotys, although plans to increase the dollar rate to 95-100 zlotys continue to be considered, and the transferable ruble to 80-85 zlotys. Caution in adopting a decision in this matter accompanies the fear of excessive increases in domestic prices. For that reason accounting principles are applied to present mandatory rates, in which their adaptation to new rates does not present any difficulties.

A new element in the method of accounting between foreign trade enterprises and suppliers of goods for export is the recommendation by the Foreign Trade Ministry to use contract prices in this sphere. Obviously this does not refer to commodities figured at official prices. In 1982 demands were intensified for producers to become more strongly financially associated

with prices obtained abroad, that they should know how much their goods cost in international markets. The problem hinges on the fact that those demands somewhat cross with the statute on prices, that introduced a broad area of contractual prices, agreed upon between enterprises, among whom foreign trade enterprises are fully empowered subjects. Precisely for that reason, the Foreign Trade Ministry only issued recommendations, however, having the hope that those recommendations will be generally implemented within the framework of agreements negotiated by enterprises.

The application of negotiated pricing principles will not decrease the sphere of supplementary accounting. It was established that the sphere of balanced accounting conducted by the Ministry of Foreign Trade will not escape restriction. However, it is important to indicate the negotiated price and compensating elements in accounting documents, instead of the contractual price alone as was previously practiced. As a consequence this can lead to the same amount, but the negotiated price will become known to the producer, who will be able to compare it with his costs and benefit in economic analyses.

This issue possesses special significance for the future. And so, the statute on financial economics determines that the Ministry of Foreign Trade accounting functions only during the 1982-1983 periods. Thus it appears that from 1984 the basis for accounting will be negotiated prices. Corrections will depend solely on the return or turnover--tax and duty included in materials used in manufacturing merchandise for export. Naturally this will be a considerably smaller area of compensatory accounting in comparison with that functioning within the framework of present compensatory accounting. Producers of goods for export must prepare themselves for these changes and lower the cost of production accordingly. This pertains to almost half of the manufacturing industry. To be sure, foreign currency rates will undergo essential increases by that time and compensatory accounting will replace this to a minor degree only.

Problem of Balance of Trade Accounting With Socialist Countries

Accounting involving exports to socialist countries remains a dilemma that is difficult to resolve. The essence of the problem hinges on the fact that the principles for establishing contractual prices in the balance of trade with those countries anticipates the application of world prices based on convertibility into transferable rubles according to ruble rates--the dollar as established by the International Bank for Economic Cooperation in Moscow, that is 1 dollar equals 0.7 rubles. In the meantime, our rates for internal accounting have a different mutual relationship (80:68). For that reason, in case of the export of the same goods for dollars and for rubles, the profitability achieved by the producer by virtue of the sale for rubles is considerably less.

In practice such situations occur. However, quite more frequently we experience the reverse situation: the profitability of export is higher in sales to socialist countries. Overall national data indicates practically an

Comments on this subject can be concluded with the conclusion that the ratios between fluctuating currency rates and the rate of the transferable ruble are uniform. The only remaining problem is the general level of those rates.

Stimulators for Export Production

Under unusually difficult economic conditions, the introduction of special stimulators for export production became vital, and this the government did during the middle of last year. The familiar Cabinet Statute No 182 introduced essential income tax relief and relief in pressure on the Vocational Activization Fund [FAZ] for export participation in production in general, and for the growth in exports. All relief embodied in that statute will continue to be applied in 1983. Their declarations can indeed be somewhat weakened, because in 1983 rather numerous tax reliefs apply to manufacturers by virtue of completed assignments not connected with export. At this juncture it is worth emphasizing that the general rules for estimating FAZ taxation underwent a substantial change. Instead of a tax on an increase in the average wage, enterprise will be taxed on the basis of an increase in amount of wages. From an exporting point of view, the new formula for relief in this area is more substantial. And so the wage fund can grow "without penalty" (that is, without suffering imposition of taxes on the FAZ) in adequate proportion to the increase in net production sold, but decreased by escalation in the price of products. But an increase in negotiated prices will not be eliminated, because we are most dependent on it.

Other Stimulators

Before I present a whole array of methods applied in encouraging export, I must mention one unprofitable change, namely, the weakening of priority in the supply of raw and other materials for export production. Cabinet Statute No 226² fundamentally changes the supply order of priority spheres as compared with the mandatory rules of 1982. In summary, provision for export production will be relegated to no less than the third category of importance. Naturally, imports implemented within the framework of foreign exchange allowances will continue to be the strong side for providing export production.

In any case, the significance of methods to encourage exports is certainly not diminishing in 1983. Almost all methods are addressed to producers, inasmuch as they decide on the volume of exports. Aside from the stimulators already referred to, the compensation fund of the Minister of Foreign Trade will continue to play a substantial role in an amount of 1.7 billion zlotys. These emoluments are directly allotted to the producers by the ministry or through foreign trade enterprises. A considerably large amount of designated funds is allocated to the disposition of those enterprises for the purpose of negotiating contracts with producers for implementation of specific export assignments. A portion of the emolument fund is earmarked for rewards for increases in exports.

In closing, it is worth mentioning all the sources serving activization of exports that manufacturers can anticipate in 1983:

In closing, it is worth mentioning all the sources serving activation of exports that manufacturers can anticipate in 1983:

practically an identical degree of export profitability from both financial areas. This concerns total export. But in the sphere of electromachinery industry products, the profitability from socialist countries is considerably higher.

This information should not generate surprise. It is generally known that it is more difficult to sell our industrial products in western markets, as competition is keener there, quality requirements are higher. Therefore the cost of production is higher. They consequently--apart from rate levels--decide export profitability.

Our currency rates meet our ratios of cost to foreign currency prices and our cost structure. In clearing turnovers, and in the application of nonconvertible currency, the rate in each country can and should be independently established. The essence of the matter depends on the fact that currency rates are expected to be accurate instruments for conducting the economy of a given country and not copies of rates used by international banks or other countries.

In economic discussions, the opinion is often heard that our rates are not favorable to the development of cooperation with the Council for Mutual Economic Aid (RWPC) countries. This opinion proceeds from a superficial knowledge of the subject. In reality the opposite is true, and it is possible to illustrate this with statistical data. (see table 1)

Table 1

Rate of Export Growth in Financial Areas I and II in 1982

In percentage 1981 equals 100.

ITEM	Financial Area I	Financial Area II
Total Export	117	102
Electromachinery Products	114	96
Metallurgical Products	100	94
Chemical Products	133	95
Mineral Industry Products	131	76
Wooden-paper Industry Products	121	74
Light Industry Products	101	77
Food Industry Products	121	102

It must be emphasized that the indices presented in the table were developed under conditions of independence of enterprises and a lack of prescribed functions for manufacturers, as well as foreign trade enterprises. Selection of a sales course depended on their decisions. Naturally, for some enterprises, the ruble rate is too low. But the rate must be the same for all. This proceeds from its economic essence. In order to balance differences in rates, the compensating account is then set into motion.

- A. Foreign exchange currency allowances exchangeable for export production requirements in both financial areas.
- B. Priority in the raw and other material supplies (weakened in 1983).
- C. Additions to official prices in amounts reaching up to 15 percent.
- D. Negotiated prices and a balanced account.
- E. Income tax relief proportionate to participation in production on a whole.
- F. Income tax relief by virtue of increased export.
- G. Relief in burdens on FAZ in conjunction with the above mentioned tax relief.
- H. Return of turnover tax taken in previous phases of manufacturing.
- I. Exemption from turnover tax in supplies for export.
- J. Return of import duties.
- K. Rewards for completion of designated export assignments.
- L. Rewards for increased export.

A considerable portion of the sources mentioned serving activization of export likewise pertain to foreign trade enterprises.

Overcoming Economic Crisis

Warsaw HANDEL ZAGRANICZNY in Polish No 2, 1983 pp 3-5

[Article by Juliusz Kotynski: "Foreign Trade as Factor in Overcoming Economic Crisis"]

Restrictions on the level of free foreign exchange imports, to decreasing capabilities for their financing, was one of the direct causes for the economic break down towards the closing years of 1970. This permitted the cumulative declining production spiral, of export and import, that also aggravated other sociopolitical and economic factors. And it is necessary to break this vicious circle in the foreign trade sector. Overcoming the economic crisis is not possible through future reduction in imports, whose level already fell under the bare minimums; a solution should be sought for intensification of exports and liberation of the reverse multiplier process for increased production and export. Then only will the burden of servicing debts be subject to a relative reduction in relation to the growing values of national income and influences from export. Proexport orientation of the economy should play a key role in this process, as the most effective allocation of funds for import and a reasonable enjoyment from imported goods in the entire national economy.

These objectives to a growing degree should not be implemented by administrative methods but through the creation and utilization of adequate motivating instruments, to be favored by the improvement and introduction of economic reform methods.

however, overcoming the crisis by utilizing foreign trade will be achieved under particularly difficult external conditions and is burdened with an immense margin of uncertainty. A favorable factor could be improvement in the political climate and the resignation by the West of discriminating credit-economic sanctions towards Poland, as well as the reactivation of our country's membership in the International Monetary Fund, and the multisided search of a compromise solution to the problem of servicing Polish debt. The visible exporting effects, being mainly the result of domestic efforts, could constitute an essential argument in possible negotiations with foreign creditors. In relations with the West, and at least with some capitalist countries, however, others cannot be excluded, a less optimistic scenario for development of the situation.

FOOTNOTES

1. cf.: "Establishment of policy and instruments for implementing the Annual Central Plan," Schedule 5 of Cabinet Statute No 249/82 of 26 November 1982, and RZECZPOSPOLITA of 25 November 1982.
2. RZECZPOSPOLITA 9 December 1982.

9951

CSG: 2600/1150

SUBSTANDARD PERFORMANCE OF TRANSPORT INDUSTRY IN 1982 REVIEWED

Warsaw EKSPLOATACJA KOLEI in Polish No 4-5, Apr-May 83 pp 97-100

[Article by Albin Jagiello]

[Text] Freight Transport

Characteristic of transport in the 1980's was the sudden decline in orders for freight transport. Only in 1982 did the normalization in sociopolitical life and the successive initiation of economic reform bring about an increase in the use of transport services. Proof of this is the fact that freight transport by public and branch means, which at the beginning of the year had been 30 percent lower, began in November to exceed the level of the previous year. The need for transport by standard-gauge rail increased very quickly. Despite a gradual correction of the situation, there were transported in the year 1,032 million tons; i.e., 149 million less than in 1981 and 203 million less than anticipated by Central Socioeconomic Plan (Table 1).

In 1982, standard-gauge rail carried 394.9 million tons or about 924,000 tons more than in 1981. However, this transport was about 25 million tons less than the Central Socioeconomic Plan had planned and about 10 million tons less than the operating plan had anticipated.

During the first quarter of 1982, standard-gauge rail showed increased ability to transport goods, but there was also a drop during that period in freight transport as a result of declining production. As normalization progressed, rail freight also increased. Simultaneously, as a result of the enterprises' aim--in accordance with the principles of economic reform--to lower the costs of transport, there was an increase in the use of trucks to transport freight. As a result, by the end of April, there was a tendency for rail freight to reach the limits of its transport capacity.

Beginning in May, there began to appear in the standard-gauge rail more evident difficulties in the full coverage of transport services. An increase in coal production played a major role in this need for transportation; in 1982 there were almost 22.4 million tons more coal exported than in 1981, using nearly 40 percent of all railroad transport potential.

Table 1. Freight Transport in 1981 (thousand tons)

Particular	1981		1982				[percent]				Difference			
	1	2	Achievement	CPSG	Achievement	3	4	4:3	4:2	6	7	4-3	4-2	8
Standard-gauge rail with LHS		393,692	420,000		394,887	94.0	100.2	- 25,113	100.2	106.7	-	+ 925		
LHS		5,277.5	--		5,632.7	--	106.7	--	106.7	--	--	+ 355.2		
Narrow-gauge rail		7,557	7,000		7,219	103.1	95.5	+ 219	95.5	100.1	+ 219	- 338		
General--transport (rail)		401,519	417,000		402,106	94.1	100.1	- 24,894	100.1	106.2	- 24,894	+ 587		
Truck transport (domestic P+S)		157,129	165,000		119,805	72.6	76.2	- 45,195	76.2	80.7	- 45,195	- 37,324		
Truck branch transport		560,903	580,000		452,426	78.0	80.7	- 127,574	80.7	87.3	- 127,574	- 108,477		
General transport--branch and public trucking		726,555	754,000		579,130	76.8	79.7	- 174,870	79.7	82.6	- 174,870	- 147,425		
Inland waterway transport		13,817	15,000		11,003	73.3	79.6	- 3,997	79.6	82.6	- 3,997	- 2,814		
Coastal waterway transport		2,753	3,000		2,691	89.7	97.7	- 309	97.7	102.6	- 309	- 62		
General inland and coastal waterway transport		16,570	18,000		13,694	76.0	82.6	- 4,306	82.6	87.3	- 4,306	- 2,876		
Pipeline		35,832	36,000		36,753	102.0	102.6	+ 753	102.6	106.7	+ 753	+ 921		
General public and branch transport		1,180,476	1,235,000		1,031,683	83.5	87.3	- 203,317	87.3	92.1	- 203,317	- 148,793		

Table 2. Passenger Transport in 1982

Particular	1981		1982				[percent]				Difference			
	1	2	Achievement	CPSG	Achievement	3	4	4:3	4:2	6	7	4-3	4-2	8
Rail transport in which:														
standard-gauge rail		1,114	1,105		1,103	99.8	99.0	- 2	99.0	99.1	- 2	- 11		
Automotive transport		1,107	1,100		1,097	99.7	99.1	- 3	99.1	99.8	- 3	- 10		
PKS		2,325	2,250		2,297	102.1	98.8	+ 47	98.8	100.1	+ 47	- 28		
Inland waterway transport		1.3	1.3		0.9	69.2	69.2	- 0.4	69.2	70.0	- 0.4	- 0.4		
Air transport		1,711	0,747		0,907	121.4	53.0	+ 0.160	53.0	53.0	+ 0.160	- 0.804		
General		3,442	3,357		3,401.8	101.3	98.8	+ 44.8	98.8	100.1	+ 44.8	- 40.2		

The periodic, incomplete realization of the plan for coal transport was caused by a general shortage of transport capability, and to a large degree by a reduction in the mining industry's coal transport mechanism. This contributed to a dispersion of rolling stock on the Polish State Railway [PKP], resulting in a considerable worsening of usage possibilities.

The quantity of coal transport also was limited by reduced intake possibilities. Filling of storage facilities at electric power plants, heat and power-generating plants, ports, cement plants and other plants using a great deal of coal caused an increase in stoppage time for unloading cars, which frequently required unhooking cars enroute. This disallowed the full exploitation of rail transport and caused disarray in rail traffic. On 23 July 1982 the Economic Committee of the Council of Ministers issued decision number 43 concerning improvement of coal transport services during the second half of 1982.

Despite inadequate transport services, there occurred from month to month a steady improvement in the transport of other freight. In December, transport of different sorts of freight was larger than in the previous year. Smaller were only the transport of brown coal, bricks, grain, potatoes and other transit goods--mostly because of decreasing supply.

The fundamental factors reducing transport capacity were the worsening technical state of the cars and the enormous costs of rail repairs. This is caused by insufficient delivery of materials, employment shortages and inadequate repair capabilities by rail personnel.

In 1982, narrow-gauge rail carried 7,219,000 tons of goods; i.e., about 219,000 tons more than anticipated by the Central Socioeconomic Plan. As compared to 1981, there were about 338,000 fewer tons of goods transported.

The decline in transported goods, which appeared in April 1982 on the narrow-gauge railroads, was largest in September (-19.6 percent). Beginning in October, this decline showed a marked improvement, and in December there were more transported goods than in 1981.

The State Trucking Communications [PKS] transported 119.8 million tons of goods in 1982, as compared to the 45.2 million tons set by the Central Socioeconomic Plan and 23.2 million tons in the operating plan. As compared to 1981, there were 37.3 million tons fewer goods transported.

In the second half of 1982, PKS participated in the transport of earthmoving equipment, which was quite successful in 1982. Among the fundamental reasons for the decline in PKS transport, one can count reduced cargoes, shortage of loadings on free Saturdays and Sundays and a worsening of the technical preparation of rolling-stock, whose indicator lowered from 0.749 in 1981 to 0.730 in 1982.

Transport of cargoes by inland waterways stood at 11 million tons or about 4 million tons less than planned and about 2.8 million tons less than achieved in 1981.

The basic cause for the nonfulfillment of the transport plan was the catastrophically low state of waters in the primary transport areas in the second half of 1982 and difficulties in activating cargoes.

Passenger Transport

Tasks in the area of passenger transport generally were achieved. In 1982, transport enterprises carried 3,401,800 passengers or about 44.8 million passengers more than anticipated in the Central Socioeconomic Plan. However, there were 40.2 million fewer passengers than in 1981 (Table 2).

PKS was the marked leader in the area of passenger transport. In 1982, it carried 2,297 million passengers or 47 million more than planned and about 28 million fewer than in 1981.

In rail transport, there were 2 million passengers carried, a drop of 11 million passengers from the previous year.

With respect to air transport, it should be emphasized that the reduction of flights to the United States and to many countries in West Europe during the period of martial law contributed to a significant decline as compared to 1981 (about 47 percent).

Efficiency and reliability in transport work depend to a large degree on the state of technical rolling-stock and roads as well as on the employment situation.

Repair of the Rail Rolling-Stock

The periodic repairs of freight and passenger cars, internal-combustion and electric locomotives and electric pulling teams have improved. The tasks in the operating program for these areas were realized with the exception of combustion-engine locomotives, electric locomotives and electric pulling teams. As compared to 1981, a decline was noted only in the repairs of internal-combustion locomotives and steam engines.

During 1982, repairs of rail rolling-stock were limited above all by shortages of materials and spare parts, and especially of shortages of crankshafts, pistons, rings, batteries and generators, spare parts for speedometers, electric measures for combustion-engine locomotives and others, and also there was a decline in employment compared to 1981 by more than 4,000 persons.

See Table 3 for the realization of periodic repairs of the rail rolling-stock in 1982 as compared to 1981.

Employment and Salaries

In 1982 as compared to 1981, there was a decline in employment: at PKP by 7,707 persons, at PKS enterprises by 7,850 persons and at the roadway units by 4,333 persons. The decline in employment occurred in every branch of transport.

Table 3.

Particular	Achievement in 1981	1982		Percent	
		Operating program	Achievement	3:1	3:2
1	2	3	4	5	6
Periodic repairs of internal combustion locomotives PKP	2,305 1,216	2,801 x	2,406 1,225	104.4 x	85.9 100.7
Periodic repairs of cars (PKP internal combustion)	80	151	74	92.5	49.0
Periodic repairs of electric locomotives PKP	712 671	803 x	736 704	103.4 x	91.7 104.9
Periodic repairs of 3000 V electric pulling teams	668	750	718	107.5	95.7
Periodic repairs of general steam engines PKP	1,080 907	1,004 x	1,044 896	96.7 x	104.0 98.8
Periodic repairs of freight cars PKP	65,905 57,560	68,000 x	70,665 61,593	107.2 x	103.9 107.0
Periodic repairs of passenger cars PKP	6,322 6,109	6,638 x	6,463 6,284	102.2 x	97.4 102.9

Table 4.

Particular	Average monthly pay (zł) in 1982 (without compensation)	Growth factor in 1981=100
General socialized economy (4 categories)	9,943	130.5
• industry of the socialized economy	10,662	136.1
-- manufacturing	9,257	129.2
-- mining	21,299	161.0
-- communications	9,464	127.3
ZNTK	10,104	131.0
• construction	9,873	122.6
• transport	9,379	119.5
• communications transport:	8,987	116.6
PKP	9,035	117.6
CZDP	8,296	120.4
PKS	9,391	112.3
PSK	7,776	124.7
LOT	10,464	123.8
PUL	10,936	125.2
Inland waterway transport	8,484	99.2
PPUK	6,754	114.6
Road transport	8,249	115.1

The particularly difficult employment situation exists in basic work and repair groups of PKP enterprises. Employment shortages--as compared to the PKP enterprise plan--reach 26,500 persons. These are as follows:

--in trade-transport service:	1,881 persons
--in movement service:	4,664 persons
--in traction service:	4,384 persons
--in car service:	1,977 persons
--in roadway service:	9,224 persons

With respect to territorial division, the greatest shortages exist in Silesia (5,200 persons), central region (4,500 persons) and Lower Silesia (3,700 persons).

Table 4 presents transport salaries as compared to national levels.

It appears from the data that medium incomes are lower than in the basic sectors of the socialized economy:

--in PKP enterprises:	by 908 zlotys
--in PKS enterprises:	by 552 zlotys
--in roadway units:	by 1,647 zlotys

On the other hand, as compared with the entire socialized industry, salaries in basic enterprises are lower:

--in PKP enterprises:	by 1,627 zlotys
--in communications industries:	by 1,198 zlotys
--in ZNTK:	by 558 zlotys

The presented situation makes it difficult to attract employees to the transport area.

In general, one can say that--despite serious shortages in employment and supply--transport in 1982 achieved its basic tasks to a satisfactory degree, which contributed to a normalization of socioeconomic life in the country. This has created better conditions for implementing anticipated tasks in the current year.

9807

CSO: 2600/1171

INTERNATIONAL COOPERATION IN RAW MATERIALS ENCOURAGED

Bucharest REVISTA ECONOMICA in Romanian No 30, 29 Jul 83 pp 13-14; No 31, 5 Aug 83 pp 12-13

[Article by Sanda Arsene and Spiridon Manoliu]

[No 30, 29 Jul 83 pp 13-14]

[Text] Under the present situation of the world economy, each country's participation in the international division of labor is growing and acquiring new, higher values through the active promotion of international economic and technical-scientific cooperation.

International economic cooperation, fully consonant with the evolutionary trends of today's world, often heralding the next system of economic relations among nations, and at the same time lending these relations a much more complex and stable character of mutual engagement and benefit in achieving joint objectives, is increasingly becoming an objective requirement for each country's evolution, and implicitly for the socioeconomic progress of all humankind.

Often founded on and derived from the complementary features of various national economies, international economic cooperation actively contributes to an endowment with production factors that are in short supply, and thereby to the discovery and involvement in domestic and international economic circuits of resources that have not yet been used, thus playing an important role in intensifying and deriving higher values from these resources. One of the major objectives sought by different countries through a more intense and diversified international economic cooperation, is to assure for their national economies secure sources of raw materials for extended periods of time. The experience of the past decade has shown how an unequal distribution of resources over the globe, combined with a greater need for these resources on the part of all national economies, has amplified and diversified international flows of raw materials and basic products.

But due to the exhaustible nature of some natural resources--in some cases even over relatively short time periods--direct supply from world markets becomes increasingly uncertain and costly; hence the need for developing new

types of relations, more secure and more committed for all the parties involved. International economic cooperation thus proves to be the most secure and often most efficient, mutually advantageous means for meeting national needs of scarce raw materials.

The profoundly scientific economic policy of our party and state begins with a correct evaluation of the country's requirements for socioeconomic development at various stages, weighing them against available domestic national resources, and establishing the most appropriate and efficient means and ways for bringing other countries into international economic exchanges.

In this context, the encouragement of international economic cooperation is part of the overall strategy of the higher leadership of the party and state, making a significant contribution to the sustained rate of development of the national economy. Based on principles that are unanimously recognized as consecrated by international law, and fully consistent with the new international economic and political order, Romania's policy of wide international economic cooperation is also a solid foundation for the development of new, equitable relations among nations, and in general, for encouraging peace in the world.

These multidimensional values of international cooperation were stressed by Nicolae Ceausescu in his recent speech to the Central Committee of the RCP Workshop on Problems of Industry and Agriculture, in which he stated that: "We must do everything we can in practice to assure--even under these difficult world economic conditions--the expansion of economic relations and production cooperation, as the only way to assure that we will generally surmount the difficulties created by the world crisis, for the country's socioeconomic development."

Indeed, it is well known that as early as July 1975, at the Plenary Session of the Central Committee of the RCP, referring to the extremely important problems raised by the present and future development of the entire national economy, at a sustained rate and high qualitative level, Nicolae Ceausescu had pointed out that: "We will have to place in the forefront of our concerns the development of the raw materials and energy base, keeping in mind that the progress of industry, of the entire national economy, is decisively determined by the assurance of raw materials and fuel resources, by their rational utilization, and by the creation of new substitutes and synthetic chemical materials."

The goal of these actions is to achieve Romania's energy and fuel independence by the end of the decade. At the domestic level, the impetus for developing a raw materials and energy resource base is provided in three principal ways:

Intensified activity to discover and exploit new deposits of energy resources and useful mineral substances, to expand modern prospecting, exploration, and exploitation technologies, principally for oil, natural gases, coal, as well as iron and non-ferrous metal ores;

Greater domestic coverage of the demand for cokable coal, iron alloys, mill products, non-ferrous metals, synthetic rubber, wool, leather, synthetic fibers, cellulose, and other basic products, including through the recovery and reutilization of materials and wastes, as well as through the rebuilding of equipment, subassemblies, and parts;

Substantial reduction in the specific consumption of all raw materials, and particularly of oil, metallurgical coke, metals, chemical products, cellulose, and products of the light industry.

The correlated application of broad programs of measures will increase the degree to which needs are covered from domestic resources, implicitly reducing the amounts of such imported raw materials as oil, furnace coke, casting coke, metallurgical products, titanium dioxide, cellulose, cow hides, and so on.

As we have mentioned above, the option to intensify international economic cooperation for the secure and long-term supply of the national economy with a number of scarce raw materials, is imposed to a large extent by the current circumstances of the world economy, which makes it increasingly risky to meet the additional demand for such resources with conventional importation. The crises of the world economy, and especially the energy and raw materials crisis, the recession of national economies, the policy of multinational corporations of transforming the problem of natural resources into a powerful strategic weapon, and the meandering prices for basic products, represent factors which--from a short, intermediate, or long term standpoint--influence, perturb, and at times upset the normal evolution of raw materials trade, making it less predictable and riskier.

Illustrative in this respect is the evolution of international prices for basic products during the first months of this year, which although reflecting only a circumstantial situation, nonetheless demonstrate their instability and the broad range in the variation of their levels. The extreme points are created by the large drop in fuel prices, and at the opposite end, by the more significant increases in prices for primary industrial and agricultural products. It is notable that the price growth trend for industrial raw materials has been observed in the context of intensified action on the part of some factors, which on the contrary concur in reducing the level of these prices, such as: reduced demand from buyers and traders, higher producer stocks, lower index of production facility utilization, and so on.

For future periods, it is estimated that the general demand for raw materials will grow both in developed capitalist nations, where an economic recovery is predicted, and in developing nations, which are mostly oriented toward the processing--at least primary--of their own natural resources. A corroboration all these trends with the other factors mentioned above that act on the international market, clearly points out the short term--and especially long term--uncertainty about the evolution of international prices for each raw material.

Under these circumstances, in order to offset or counterbalance the negative effects of the world economic crisis, and in particular of the raw materials and energy resources crisis--which is not a passing, temporary phenomenon, but on the contrary represents a lasting condition that can continue--a number of countries have made fundamental changes in the formulation and implementation of their economic policies, by concentrating more carefully on their own reserves, exploiting them, while intensifying and encouraging new cooperation actions of various and at times extremely complex forms, leading to long term trade contracts, thus covering a significant portion of their raw materials requirements for future decades.

Placing Romania in the same stringent framework of the current evolution of economic policies, the Program-Directive for Scientific Research, Technical Development, and Introduction of Technologic Progress During the 1981-1990 Period, and Major Orientations up to the Year 2000, summarizes our country's constant concern to adopt the most appropriate means for meeting Romania's demand for various resources, especially by intensifying international economic cooperation, in these words: "In achieving technical-scientific cooperation with other countries, priority will be devoted to solving problems associated with expanding and exploiting the raw materials and fuel base, accelerating the development of nuclear energy, utilizing more rapidly new sources of energy, and introducing modern technologies in metallurgy, chemistry, machine construction, electronics, agriculture, and the food industry."

To fulfill these major goals, Romania is expanding its collaboration relations with socialist nations, developing nations, and developed capitalist nations, encouraging various forms of cooperation with different degrees of complexity, as a function of such factors as the partner country, the legal and institutional framework of these activities, the actual location and accessibility of resources, the acceptable means for discharging mutual obligations, and so on.

Depending on these factors, Romania uses different forms of international economic cooperation, designed to assure the national economy's supply of scarce raw materials.

Romania's Delivery of Machinery, Tooling, Installations, and Technical Assistance

Also known as the "Romanian cooperation formula," this approach is entirely viable at present, proving to be particularly beneficial both for the country receiving the economic objective which allows it to exploit its resources and achieve economic development, and for the country that provides it, insofar as it creates a large exportation of machinery, tooling, and technical assistance, for which it obtains the raw materials it needs.

Because of its flexibility, this form of cooperation has evolved with time and is now found in various versions. In an older form, the credit is returned as products manufactured with the exported machines and tooling, also allowing for an extension of the contract even after the value of the constructed

economic objective has been fully reimbursed. One version that is currently practiced extensively, is the construction of turnkey industrial objectives, or "product in hand," with payment taking different forms. An even more recent version is a three-party industrial cooperation, in which the partners come from socialist, capitalist, and developing nations. As a rule, socialist partners together with those from capitalist nations build a large economic objective in a developing country. Involving the collaboration of companies from countries with different political and economic structures through mutually beneficial agreements, three-party industrial cooperation constitutes a true model for future multilateral understanding, thus contributing to the establishment of a new international economic and political order.

Our country's industrial potential in such fundamental areas for economic emergence and development as the production of mining equipment, equipment for oil exploration, refineries, and other petrochemical installations, equipment for wood exploitation and industrialization, for construction materials, and so on, has allowed and continues to provide for Romania, intensified participation in building economic objectives abroad, particularly in developing nations, with reimbursement according to the various plans offered by the Romanian cooperation formula.

Of the more than 55 objectives built in recent years, 13 are for the chemical industry, seven for the mining and oil industry, nine for the construction materials and lumber industry, six for machine construction, and so on. Some of the larger objectives built through this form of cooperation, are refineries in India, Syria, and Pakistan; caustic soda plants in Turkey and Egypt; factories for wood industrialization in Sri Lanka, Iran, and the Congo Republic; assembly lines and tractor plants in Egypt and Iran; phosphate exploitation and concentration sites in Egypt and Syria; and various installations for anthracite extraction in Vietnam. For instance, as part of the cooperation to find and exploit phosphates in Tunisia, at M'Bata, Romania delivered installations, equipment, and technical assistance, with reimbursement in the form of phosphates, other raw materials, and convertible currencies.

One modern and efficient version of international economic and technical-scientific cooperation consists of providing technical assistance intended to contribute to the superior utilization of natural and human resources, and to hasten economic and social progress, particularly in developing nations. The technical assistance activities performed by our country cover a constantly expanding geographical area are rapidly growing; at present, Romania has contracts with over 70 nations in Africa, Asia, and Latin America, with more than 12,000 Romanian specialists working in these countries.

Romania provides technical assistance in geology and mining by sending experienced and qualified specialists to collaborate with and train local specialists, perform analyses and technical studies in the partner's mines, and write reports and conclusions about their research. Examples of such collaborations are offered by ICE (Foreign Trade Enterprise) Geomin, whose contracts with various agencies in Morocco stipulate the repayment of technical assistance with various raw materials, or whose cooperation with the Sonarem company in Algeria is paid with iron ore.

[No 31, 5 Aug 83, pp 12-13]

[Text] Participation of Several Socialist Countries in Joint Investments

This is an important form of cooperation with broad perspectives, to which our country is devoting particular attention. Together with other CEMA socialist member nations, Romania participates in the joint construction of large facilities for the cellulose, asbestos, and iron alloys industries, as well as in the building of a nickel and cobalt plant in Cuba, and will receive in return products manufactured by these units. To assure a nickel supply for the national economy, a general agreement was reached as part of CEMA for collaboration to create new facilities for products containing nickel and cobalt (sintered and oxides) in Cuba, with Romania to receive about 3000 tons of nickel per year.

All these actions of CEMA socialist member nations are carried out in the spirit of the Council's Statute and of the Comprehensive Program (adopted by CEMA's 25th Session, held in Bucharest in 1971), which clearly stresses the need for more fully meeting the long term, growing needs for fuels, energy, and other raw materials, "primarily from the production and rational utilization of resources of CEMA member nations," by joining the efforts of interested countries in vast cooperation actions. Subsequently, in order to implement and develop the provisions of the Comprehensive Program of the 32nd Session of the Council (also held in Bucharest in 1978), the first special long term collaboration programs were adopted, whose cooperation actions are intended to help cover to a greater extent and variety, the needs of member nations with for fuels, energy, and raw materials, as well as high technology machines and equipment, modern technologies, and food products.

Socialist Romania, a CEMA founding member, has consistently expressed its interest in collaborating on fuels, energy, and other raw materials, both during its various meetings and in various CEMA agencies; at the same time, it is effectively acting to improve collaboration and increase the contribution of this organization to each country's socioeconomic progress. Referring to these points at the Second Congress of Workers' Councils, Nicolae Ceausescu indicated that "the current five-year plan stipulates a continued expansion of relations among CEMA member nations, and together with it, more intensive production specialization and cooperation so as to satisfy an increasing amount of their mutual needs for raw and other materials, energy, machinery, tooling, and so on. I want to point out that much remains to be done within CEMA in this respect, and that we will act together with the other nations to improve the activities devoted to these goals."

For Romania, the effects of its CEMA collaboration in this respect is not very significant, as is strongly illustrated by the proportions of fuels, mineral raw materials, and metals imported by our country through these channels: compared to 47 percent in 1970, this proportion dropped to only 21 percent in 1980, testifying to the small role currently played by the trade with socialist countries. For this reason, Romania's position in mutual

collaborations is extremely special, insofar as the value of our importations of fuels, raw materials, and metals in mutual trade per inhabitant is 5-6 times lower than that of other CEMA member nations, a fact which forces Romania to buy these products from other countries, with payment in convertible currencies.

To remedy the situation, Romania--like other CEMA member nations--has consistently presented a number of proposals to intensify and perfect mutual collaborations such as: immediate implementation of collaboration programs already adopted by joint agreements; formulation of other concrete cooperation actions intended to solve the problem over the long term by expanding production capabilities in countries which have resources, and by organizing collaboration to improve technologies and reduce energy, fuel, and raw materials consumptions in the national economies of each socialist nation; agreements for additional operations to exchange this type of products against other ones under mutually beneficial conditions.

For the future, Romania is determined to intensify cooperation with CEMA socialist member nations on the basis of mutual benefits, including participation in the investment effort necessary to exploit the material resources existing in various member nations, with the application of rigorous, equal criteria for all member nations with respect to the degree of coverage of needs within the mutual collaboration, to the application of severe economy measures in each country, and to the commensuration of domestic resources of fuels and raw materials.

The prospects for implementing these orientations are based on strong economic foundations since even now, CEMA member nations have significant availabilities of such products, their exportations far exceeding the cumulated importations of the same products.

International Consortiums

The purpose of participating in such consortiums is to exploit deposits of useful mineral substances, the expenses of each participant being reimbursed in shares corresponding to the production--of usually raw materials--obtained. Considering the importance that this form of cooperation can achieve in the future, and the broad prospects, both for Romanian exportation to build economic objectives in third party countries, and for supplying the national economy with scarce raw materials, we believe that several ideas should be discussed.

As a rule, a consortium is a contractual agreement among many organizations, to perform a project ordered by a customer, such as construction of large industrial objectives or means of communication, or the exploitation of natural resources. Consortium contracts are complex, specifically stipulating the structure and organization of the consortium, the formulation of bids and contracts, the obligations of associations, the financing of operations, as well as legal and other general clauses.

Romania participates in consortiums formed to exploit useful mineral resources in Gabon, Guinea, and other countries. In Guinea, for instance, we participate through ICE Mineralimportexport, alongside a number of foreign companies, in the MIFERGUININBA consortium, to exploit an iron ore deposit. The same is true for the SOMIFER consortium in Gabon, also for an iron ore deposit.

It should be pointed out that this form of participation represents a collaboration of specialized companies, financial institutions, and private or public national companies. The complexity of activities in a consortium, the satisfaction of all the participants' interests, and the blending of all factors, demands constant, active, and efficient collaboration, with strict respect of contractual obligations.

For Romania, this new format represents an experience that will also have to be used in other actions, taking into consideration our industrial potential and the capabilities of our specialized personnel. The achievement of such actions of cooperation demonstrates the extensive range of possibilities offered in practice, possibilities that must be analyzed and used to the extent to which they do not conflict with our country's economic policy and principles of international cooperation, and to which they prove to be effective.

Joint Production Companies Abroad

The formation of joint production companies abroad represents a modern form of participation in the achievement of economic objectives through contributions to social capital and credits advanced in the form of cash, equipment, installations, services, and so on. The major goals of participation in such actions are: execution of development programs in other countries by building economic objectives; joint performance of prospecting, exploration, and exploitation projects related to natural resources in other countries, and assuring the national economy with stable sources of raw materials for extended time periods; aiding the Romanian exportation of tooling and complex installations, and of advanced technologies.

The reimbursement of credits and collection of profit shares is usually in the form of raw materials produced by the company, other raw materials and products, or currency.

An analysis of the overall activities of these joint companies, and of the major factors and indicators needed to determine the opportunity of cooperation actions, discloses that the formation of these joint companies abroad was timely and necessary. Such products as copper concentrates, exotic woods, and sheep and goat skins were thus imported from joint production companies under competitive conditions. For instance, the Romanian partner has the option to buy sheep and goat leathers of competitive quality and prices from Intercontinental Leathers Co of Madras, India, a joint company established to process and sell such leathers.

For purposes of decisions to be taken by associates, and approvals from the two countries involved, joint production and sales companies located abroad are based on feasibility studies of their economic efficiency, including the sale of their products. Market studies are also conducted, and efficient forms of sales on international markets are formulated, so as not to remain limited to the market where the company is formed and registered.

The circumstances of recent years, which have disturbed the evolution of raw materials prices, have also greatly influenced the economic and financial results of joint companies in this field. The international price of copper--which was high at the time at which the company was formed, and on whose basis large investments were made--has dropped significantly during the last period. This unfavorable circumstance has caused companies throughout the world to reduce their production capabilities, with some of them stopping entirely until the market rebounds.

As a result, both at the time of the feasibility studies and throughout their operations, joint companies or cooperation production units must also consider the effect of circumstantial factors, and prospective demand and supply, independently of their products or activities. The Romanian partner cannot remain indifferent to non-competitive prices achieved in joint companies since it cannot buy raw materials at prices higher than those on the international market. For this reason, there must be a constant concern about production conditions, cost levels, and alignment with international prices.

Joint production companies abroad conduct their activities according to the economic laws of their countries of residence, and as such must keep in mind at the time of their formation all factors which could sooner or later influence their economic and financial results.

That is why it must be stressed and kept in mind that while in general, international economic cooperation activities are carried out in different forms, each with different levels of difficulty as well as economic, technical, commercial, legal, fiscal, and banking responsibilities, and for longer durations than simple export-import or selling and buying transactions, joint production and sales companies also and in addition combine all these elements at their maximum levels of strong mutual engagement on the part of partners. And that is why ignorance of one of these areas, or avoidance of another, inevitably leads to negative results, and the loss of invested materials and funds.

Many authors in this field maintain that the formation, organization, and operation of a company requires that those involved in this complex activity be very well informed and capable of formulating studies in all the domains that enter in decisions regarding the formation and operation of the company.

In this respect, Decree No 52/31.05.1975, regarding the participation of Romanian economic units in joint companies abroad, expressly stipulates that the Romanian personnel which participatates in the management of joint

companies must have advanced experience, be knowledgeable in foreign trade, management, organization, and financial techniques, as well as in the economic, financial, accounting, banking, customs, fiscal, and commercial laws of the countries in question, so as to respect these laws and achieve the proposed goals.

The legal framework exists in our country, but those who participate in forming and organizing joint companies abroad must know it and know how to apply it. Their activities must constantly be supervised and supported at an appropriate level of qualification by those sent to perform this task.

11,023

CSO: 2700/291

LEADING ECONOMIST DISCUSSES PROBLEMS, PROSPECTS OF CRISIS

Zagreb START in Serbo-Croatian No 378, 16 Jul 83 pp 8-12

[Interview with Dragomir Vojnic, long-time chairman of the Federal Economics Council and director of the Economics Institute in Zagreb, by Milan Gavrovic, date and place not specified]

[Text] This interview was conducted on a hot topic: the causes and consequences of the economic difficulties which the subject of our interview frankly referred to as a crisis. Dr Dragomir Vojnic, professor, contrary to custom, has for all of 10 years now been chairman of the Federal Economics Council, in which economists examine the country's economic and development policy. This is indicative of his reputation, but it also signifies a trait of character: tolerance, readiness for dialogue, and the patient building of consensus. A good man, but not necessarily sweet-tempered, say his fellow workers in the Economics Institute in Zagreb, where he has been director for a long time. In the tumultuous debates among economists, which always have an ideological note, he is given particular credit for this view: "We have to fight for every man, and not write him off...."

He has participated as a scientist in tailoring Yugoslav economic development since 1962, when he was invited to sit on a federal commission whose work was the beginning of preparation of the 1965 reform. In the present--he was one of the most involved members of the so-called Kraigher Commission, and he has also been appointed to the commission of the FEC [Federal Executive Council] just created to prepare the plan for implementing the stabilization program. In this interview he did not sidestep a single question, nor did he alter a single sentence when the text was presented to him for approval.

START: It has been repeated for years now, Professor Vojnic, that we in Yugoslavia have been living beyond our means. We are supposed, then, to conclude that this drop in the standard of living which we have experienced in recent years is the fulfillment of some higher justice. Is that correct, is it the truth?

Vojnic: No! It cannot be said that our personal incomes or even personal consumption as a whole are beyond what can be taken as our realistic means, that is, those possibilities which if they are not optimal, are at least normal in view of the level of development already achieved in development of the

Yugoslav economy and Yugoslav society, the structure of the economy and the social productivity of labor. When we speak of spending beyond our means, we are referring to something else: we are referring to investment spending. It has upset the basic proportion in distribution between accumulation (that is, the portion for investment projects) and consumption, as the planners would put it. And when we did not have sufficient resources for the investment projects we wanted--that is, when we were unable to cover them from existing production, labor productivity and income--we undertook to finance them by issuing money and in certain other of our own specific forms of what is referred to as deficit financing. They include, first of all, replication of the credit-deposit relation, which made it possible for the banks to augment their [lending] potential beyond the permissible limits. Dr Ivo Perisin, professor, has referred to this as a "honey extractor for money." We have in fact come to the point where money was printed by anyone who needed it for the credit financing of investment projects. But when difficulties arise, when restrictions are necessary, personal incomes must also drop.

START: It is interesting that normal production, normal operation, was not such a favorite of society--it is based, be it said, on the work and interest of the working class. All the financial restrictions, especially the restrictions on note issue, have hurt what you economists call current reproduction.

Vojnic: This is not something specific to Yugoslavia alone. One strand in the history of socialism is this making a fetish of accumulation, that is, of appropriation for investment projects. Socialism, you see, began to develop in poverty and probably under those conditions (I am thinking of Lenin's time) there was no other possibility. The fetishizing of accumulation that dates from that time has been like a recidivism in the theory of socialism's development, and the view has been that it must have absolute priority in distribution. We have overcome that, at least in ideological terms. Under the constitution and the ZUR [Law on Associated Labor], accumulation and personal incomes must be given equal treatment under normal conditions for the conduct of economic activity. I say "under normal conditions," since, of course, if an organization of associated labor falls into difficulties, be the reasons objective or subjective, personal incomes must have preference in distribution. This follows from the nature of our society. The time, of course, then comes for applying measures to protect public property. In the Anti-Inflation Program which we prepared within the framework of the Kraigher Commission, we went further than the mandatory financial rescue program we have had up to now. We propose certain repercussions even for personnel policy, for the structures of self-management and professional management in such collectives. The ultimate consequence--liquidation of certain organizations--opens up the problem of finding jobs for the workers somewhere else. Thus a time of economic growth is more favorable for solving the problem of firms operating at a loss than this present time, but we will have to solve it now.

START: You resolutely object to the assertion that in the past we were living beyond our means. Are you prepared to go even further in that heresy? Could we have lived still better--on the basis of the potential we possess: the machines, the people, the knowledge...?

Vojnic: That is a good question. I think that we could have; that is, that our potential is greater than our standard of living. This contains one of the basic contradictions of Yugoslav society. For 10 years now we have been investing a great deal, beyond our means, but when you look at the other side of the coin, it turns out that we have not been making sufficient use of the wealth we have created: two-thirds of the machines in Yugoslav industry were purchased during the past 10 years or so, and two-thirds of these are in turn automatic and semiautomatic machines. We have, then, an up-to-date technology. We also have a working class which at least in formal terms is just as skilled as the working class in the advanced West European countries. Yet the results we achieve are not in line with that. When we say that this contradiction is characteristic of this point in the development of the Yugoslav economy and Yugoslav society, we must also go a step further, a small step at least, to say that this is also one of the basic contradictions of the countries of what is referred to as real socialism. Here in the sediment of our crisis it turns out that in certain characteristics we have come closer to the problem which "real socialism" is fighting against.

START: To simplify things altogether: it is not true that we are spending too much, but it is true that we are producing too little. Yet is that not the same thing, only stated a little differently?

Vojnic: If we start from the premise that we are spending too much, then we normally would look for solutions in restrictions, in a limitation upon consumption. In the other case we must seek the way out in appropriate use of the augmented productive forces. For between 10 and 15 years now we have faced a steady drop in economic efficiency and the social profitability of investment projects and of capital. At the same time the growth of the social productivity of labor has been slowing down steadily. Now productivity is even dropping, and this also brings us closer to the problems characteristic of present-day "real socialism."

START: Why is all this happening? To be sure, it is said that all the assessments have already been made....

Vojnic: You are probably thinking of the assessments contained in the material of what is referred to as the Kraigher Commission, and in a few days the final document summing up the results of its work will be published. There is, however, the objection that often consequences are explained by something which is in turn only a consequence. We tend to dwell on the symptoms without sufficiently studying the causes. Certainly a part of the truth lies in this. For example, we say that overinvestment and overindebtedness are to blame for our difficulties. Nor does anyone doubt that, indeed every scientific analysis can prove it with no trouble. But the state of overinvestment and overindebtedness is again a symptom, it is not a cause. Now the question arises: How did we, a socialist, self-managed, nonaligned, and so on, community get ourselves in a situation of overinvestment and overindebtedness? How is it that we did not leave ourselves any room at all in which to maneuver?

START: Is that an economic question or a political question?

Vojnic: In any case it is the right question, precisely because it is both economic and political, and indeed more than that. Everyone who is now reflecting, discussing and analyzing our situation agrees that this question cannot be answered in one dimension. It requires a multidisciplinary analysis in the fields of economics, political science, psychology, law, history, and so on. That also takes more time if one is to make a calm and retrospective attempt to make any very ambitious answer.

START: Our situation, however, is such that rapid answers are required. The public is understandably interested in everything which the economists are saying today--when it is an economic crisis, then attention is focused on the economists. Is the science of economics even able to offer precise answers? We have heard your opinion about personal incomes, but we have economists, scientists, who state the reverse: that the workers have been distributing excessively large personal incomes and that this is the cause of the present disturbances. That for that reason investments had to be financed by borrowing. That school of thought also offers a practical solution: protect accumulation from personal incomes.

Vojnic: I think--on the basis of the current discussions among economists--that agreement is becoming more and more evident to the effect that one form of spending cannot be exclusively blamed for inflation--neither investments alone nor personal consumption alone. The essential thing for the science of economics is that total production be in line with total consumption. Now it is a different matter that we could have produced more with the existing capacity. Consequently, there are times when this is, you know, a quasi-dilemma. At one time, in the last decade, some of the economists opted for the opinion that investments were the basic cause of inflation, and another group thought the same thing of personal consumption....

START: That dilemma no longer exists?

Vojnic: Less and less, I think. We have now committed ourselves--this is evident in the documents of the Kraigher Commission, especially in the Anti-Inflation Program--that balance must above all be reestablished between production and consumption. Since in the present situation investment spending is excessively large, it should be reduced. We stated in the Anti-Inflation Program that the share of gross investments in fixed capital must be reduced to about 25 percent up to the year 1985. We similarly stated that government and social service expenditure must be reduced to about 30 percent of the social product.

START: If that is so, then why are opinions constantly cropping up--in speeches, articles or interviews--and they are supported by reputable economists and politicians--that one of the basic problems lies in our not having stated how much each collective must set aside for accumulation. That view also led to that part of the resolution on economic policy for that year which ties the growth of personal incomes to net income instead of to income as a whole. That is the section of the resolution whose constitutionality is being contested, and the case is being heard before the Constitutional Court of Yugoslavia. In short, there is a tendency in our self-managed society which wishes to "defend" accumulation from the workers.

Vojnic: I think that misunderstandings are often involved here....

START: That view has been advocated even among the people who worked on the Kraigher Commission....

Vojnic: I think that such views were by and large not advocated in the Commission for Economic Stabilization. The point is this: it is one thing to objectify the relation between accumulation and consumption, and something else to protect accumulation from the workers. I think that a majority of economists, almost without exception, recognize the need for the most objective possible criteria governing the overall distribution of income, especially criteria for earmarking the distribution of income. This is an old thesis that goes way back to Kidric. Our point of departure in the economic stabilization program is a conception of planning which aims at objectifying the criteria used in the division of income between accumulation and consumption, and that at all levels.

START: What does that mean: "to objectify"?

Vojnic: This means that accumulation is not being protected from the workers, but, on the contrary, the workers are being protected from having their income manipulated outside their influence. Anyway I do not like that word "protection." We are after all talking about the system of socialist self-management, in which relations must be reestablished in accordance with the interest of associated labor and in conformity with economic laws. You have mentioned net income. That was Kardelj's idea to the effect that the most direct influence of the workers on income was realized through net income. That category consists of personal incomes and accumulation, and somewhat more indirectly on the part from which so-called general [government] and community [social services] expenditures are financed. This is the free exchange of labor, assuming adequate functioning of the delegate system.

START: It would be good if you would explain that a bit. In our practice the subject of manipulation is above all that portion of income which is "extracted" from associated labor by various inflationary mechanisms--this has already been mentioned--and concentrated in the banks. How can you protect the workers against manipulation of their income if you concentrate solely on what is left to them after that "extraction"? If you prescribe or "objectify" only the distribution of what remains in net income, after all the legal, semilegal or unlawful cuts have been taken?

Vojnic: That is precisely the point. But we dare not look at this in isolation. We must always bear in mind overall relations in social production, from the realization of income to its distribution. The starting point must be that income is today realized in relations which are disrupted, especially disrupted price relations. And that signifies the first or primary distribution of income, one which is almost completely under the influence of administrative decisions. That distribution is altogether manipulated from the outset. It goes so far that a portion of our final consumption is constantly being financed with deficit spending, and at the same time we are creating conditions under which income is siphoned from one branch to another and from one

region to another outside the influence of the workers. What is indicated within work collectives as their income has already been thoroughly manipulated. The only remedy is to introduce objectified criteria, which in turn exist only when market laws are operative.

START: Before we continue this interview, tell us clearly whether we are right in our impression that you mean to say that there are no great differences in the views of Yugoslav economists concerning all this.

Vojnic: Yes, there is more and more unity. We are coming closer and closer together. Back some 10 years ago, for example, there was talk of two schools--the "income" people (dohodasi) and the "profit" people (profitasi). Today that division is altogether inappropriate, since unity is coming about in views as to what the idea of income means in the system of socialist self-management. It can be said that today most economists are in this sense "income" people (dohodasi).

START: There was also another division. It was once said that every republic had its own economists.

Vojnic: Right, but that was a less appropriate division and always had a pejorative connotation. To the effect that economists always opted for the short-term interests of their own republic. I think that that is not the general case as to the state of our economic science. We have had, for example, more or less unified views, even on such a delicate and subtle task as it was to establish the system and policy concerning faster development of the underdeveloped republics.

START: If unity among economists does after all exist and concerning unity as to policy concerning the direction of further development, then you are expressing a very optimistic assessment....

Vojnic: I would not call it optimistic, but normal. Our economic science is developing, as it is everywhere in the world, and the views of economists are coming closer and closer together in the process. This does not mean that there are no differences, not at all. I intentionally started with the conception of income as the fundamental view. In our context, that is, in the context of socialist self-management, we are talking specifically of social ownership and the conditions of its reproduction. I would say that today there are no economists who are not committed to social ownership on the basis of income sharing. The difference arises in the theoretical interpretation of the unity of income. We overcame a dilemma here during the discussions of the constitutional amendments, the constitution and the Law on Associated Labor. We reached agreement that the unity of income--that is, on the principle that the worker must take command of the entirety of income--is bound up with the production relation. But that does not mean that income is an amorphous mass and is not governed by any sort of objective economic laws in the process of its realization and distribution. Income does have its objectively given economic structure, in the sense of Marx's pattern of reproduction, which states that higher income per worker is realized under the conditions of a higher organic composition of social capital (as Kardelj called it). Then more must be

set aside for accumulation as well. This is that objectification of the relationship between accumulation and consumption which we do not speak of in a technical sense, but as a tendency.

START: In this interview emphasis is constantly being put on the view that with the resources we have we could have produced much more and could have been considerably richer. We are being held back by the conditions under which work is done. Put loosely, isn't that the classic revolutionary situation, that is, a situation in which something must be fundamentally changed?

Vojnic: Exactly, it is a kind of contradiction between the productive forces and the production relation. Dr Vladimir Bakaric said that ultimately all of our instabilities, disturbances and deformations have roots in the disrupted social relations. The reference here is first of all to expanded reproduction and then also to total social reproduction which the workers must take command of. But authentically, not just as a slogan.

START: Does it not seem to you that the economists on the Kraigher Commission were given an extremely difficult task: to unravel something which the communist movements would normally unravel in congresses?

Vojnic: You are certainly right. But it should be borne in mind that our work was preceded by the Third Congress of Self-Managers, that the Basic Premises ... were drafted along with the preparations for the 12th congress. The roads were marked out, and to some extent they had even been cleared. It is certain that there was also a further need to clear them and differentiate them, and that under economic conditions which are far from normal. All possibilities of continuing in the old way have been exhausted.

START: That new way, according to the almost unanimous opinion of Yugoslav economists, comes down to only four words: respect objective economic laws. But it is precisely about that that very bitter discussions are being conducted. Economists have to believe in the objectivity of economic laws, since if there is no conformity to a law, there is no science either. The question, however, is what we mean by this and how these laws operate in the context of socialist self-management?

Vojnic: We have assumed the operation of economic laws in the development of our entire socioeconomic and especially economic system. This is also stated in our fundamental political documents. The reference there is not only to the market, but to the entire complex of the system of social reproduction, which is actually Marx's theory, doctrine and philosophy. This specifically means that if we respect economic laws, we must base our policy of long-range development on expansion of exports, and not on import dependence or on producing everything for ourselves. The other side of the coin is at the present level of our development we must rely much more than up to now on science, technical progress, on applied technology, in other words, on everything that contributes to the rise of the social productivity of labor. This is also an objective economic law. Since we have not respected this, we have allowed the worst possible conception of economic relations with the world to prevail: substitution, that is, replacement of imports by domestic production and the

export of possible surpluses remaining after the domestic market was satisfied. And then we had spontaneity in technical development, not to mention current economic policy and the economic system.

START: In your most recent book you call upon an unusual witness to support that thesis--Josif Vassarionovich Stalin.

Vojnic: Stalin developed an entire theory to the effect that the operation of economic laws could be compared to electricity. In capitalism, he asserted, they operate like lightning, in an elementary way, while in socialism people control them, just as when electricity is generated and distributed according to needs by the power system. However, before his death, in the theses which he wrote in his criticism of political economy, after 1951, he made fun of the leading Soviet economists of that time because of their belief that the 5-year plans were stronger than the objective economic laws, which, as he put it, had the force of natural laws. You see, every attempt in the socialist countries, since that time and up to the present, to give greater motivation to the workers and people in general for more optimum conduct of economic activity has been based on broadening the space for operation of the market and economic laws. Of course, this has always resulted in a certain vacillation for the simple reason that that process destroys the central bureaucratic power with great force. By the force of socioeconomic logic this results in redistribution of that power to the advantage of the basic economic entities. It is at this point that all attempts to improve the economic system in the countries of real socialism falter. Today, obviously, considerably more space is given in Hungary to the operation of economic laws, something similar has already begun to happen in the GDR, and there have been several attempts at socioeconomic reforms in the Soviet Union. I recently returned from a trip to the Soviet Union, where I talked with their leading economists. Those issues are also on the agenda there--as indeed we have been able to conclude from what our own press has written. They refer to them as the problems of improving the management of the national economy. At the last plenum of the Central Committee Andropov said that their long-range orientation was social self-management. And any self-management opens up more room for economic laws.

START: Nevertheless, is the comparison of economic laws with natural laws valid? They are not related from time immemorial and for all time solely to commodity production, that is, to production of goods for the market, which is only one phase in the development of social relations.

Vojnic: The answer is implied by your question. Commodity production is certainly a historic category, which means that it came about in a certain phase of development of human society and that it will likewise disappear in a particular phase. But it does exist today and will certainly exist for a number of generations yet. Every attempt to evade recognition of economic laws must by the logic of things be punished. In this phase of our development we have to respect economic laws, which includes the operation of the market and planning. It follows that economic coercion is the main thing, and government coercion marginal. It is the other way about in the state-socialist systems.

START: Nevertheless, there are still numerous cases of confusion, if we can so put it, in society. For example, assertions have been made that the market is in and of itself a concept of freedom. Then we have communists of a certain type who discover that capitalism has already long ago solved all the problems in the best possible way. They forget that even Chile, for example, has a market....

Vojnic: The market is neither an ideal institution, nor is it freedom. The market comprises a number of behavioral norms which have been set down by economic necessity in this phase of development. Those behavioral norms contain numerous limitations. When we speak of a market, we are thinking of all its advantages and limitations. First of all that today in the world it is very deformed by the influence of monopolies, oligopolies, multinational companies, relations between the blocs, north-south relations (that is, relations between the rich and poor), and so on. But when we organize the system of socialist self-management on the premises of economic laws and the market, we must bear all this in mind. This means that we have to have an organized market open to the necessary influences from outside, since we are building a model of an open economy, but one protected against excessively large and harmful influences.

START: In a recent discussion Professor Galbraith said that there are many lovers among American economists. Mr Gilder, he says, is in love with the businessman, and Mr Friedman in love with the market. What do you think, how many Yugoslav economists are in love with the market whose hair would stand on end to hear you say that it ought to be organized?

Vojnic: As soon as we speak about linking the market and the plan, one cannot speak otherwise than of an organized market. Of course, the plan must also be in line with objective economic laws. Where have we gone wrong? In the constitution and the Law on Associated Labor we started from the premise that the market and the plan are that plasma in which our producers in associated labor are swimming, in which they behave like commodity producers..., and so on. In practice, however, we had ever fewer elements of both the market and the plan. The space was filled by the administrative approach, arbitration and voluntarism. In any case, neither in our country nor in the world has economic theory reached ultimate clarity on what is optimal, what is the best relation between the market and the plan. Since the constitution and the Law on Associated Labor we have been dealing with the dilemma by saying that we need more of both the market and the plan. Both are based on objective economic laws, which constitute the mechanism of economic coercion. To be sure, in some of our ideological discussions the question has been put whether we can build a system in which social compacts and self-management accords, which are important institutions in the system of socialist self-management, could replace economic coercion. I think that our experience is the best proof that that is not possible.

START: When it comes to the mechanisms of coercion, do you not think that often in our country a false argument is advanced to the effect that in the countries of so-called real socialism we have coercion by the bureaucracy, while in the Western countries, in the so-called market economies, we have the

coercion of objective economic laws. Is it not the real truth that on the one side there is indeed coercion by the bureaucracy, but on the other is the coercion of capital, and both of them, as you put it, organize the market in conformity with their own interest?

Vojnic: It is natural that the mechanisms of coercion should be in line with the relations of ownership, state or private, state-capitalist or private-capitalist, and so on. When we speak about our system of socialist self-management, we are speaking both of a different framework and of a different content. We speak of social ownership, of the principle of income and of distribution according to the results of work. Even the market must be adapted to that. We cannot have the classic market either for capital or manpower, since that is incompatible with our relations. Both are making headway on us even today, but as a deviation from the system. To be specific, the credit relationship is still dominant instead of self-financing and the pooling of labor and capital.

START: But there is also the argument that the system of pooling is at fault for all of our troubles. That we jumped the gun in history and ought to have had something else in the present phase of development.

Vojnic: I do not think so. A large segment of our economic science also refrains from saying that. A large number of scientists from the sphere of the socioeconomic sciences were gathered together in the work on the economic stabilization program as part of the Kraigher Commission, there was consensus, that is, complete unity, that we should not go back but should build on the positions which we have taken and which we have committed ourselves to as a society. I am thinking above all of the role of associated labor in the system of social and especially expanded reproduction. Consequently, there was no doubt here either theoretical or ideological, on whether we had been too early or had not been.

START: Almost every day the dilemma is repeated in various places and in various levels: Is the system at fault for our difficulties, or is it that we have not applied it? By the system, of course, is meant the constitution and the Law on Associated Labor. Among some economists the objection to the system, put simply, comes down to this: as soon as the producers (workers) have been given the opportunity to agree on everything, they have eliminated the coercion of objective economic laws in those agreements. That accounts for our inefficiencies and our troubles....

Vojnic: My thinking is quite different. The workers have not eliminated objective economic laws, nor have they abused the conclusion of compacts and accords. As commodity producers they have always behaved rationally, in accordance with the conditions in which they worked. But that behavior did not suit the interests of society, it is the conditions which were at fault, not the producers. And we all know what sort of conditions those were. The system of self-management did not fail, what failed was that we did not develop it consistently. This, then, is the basic direction marker for a way out of the crisis.

START: You constantly refer to the market and to the plan, but there is nothing whatsoever left of our present 5-year plan. At the same time, it has become quite clear that our plans bear a considerable portion of the blame for the state we have fallen into. Do we have any need at all for a plan which does not arise up out of the process of association and pooling?

Vojnic: Planning means introducing elements of science into development policy. We failed in that, since we did not respect what was objective in socio-economic development....

START: Can this be respected at all if someone else is doing the planning, not the one who is living in conformity with those objective laws?

Vojnic: That is the point. Our deformations began in planning. We planned beyond our means, we drew up plans which were like inventories of our desires, and later we tried in every way to adapt life to the realization of those plans. Actually to the realization of desires. Instead of being derived from the plans of organizations of associated labor, our social plans were an abstraction derived from sociopolitical communities at all levels, all the way to the Federation. It was here that the system of concluding compacts and accords broke down, as you have already said, since the agreements were being made by factors outside associated labor which had a feeling that they were stronger than the objective economic laws.

START: Confronted by economic difficulties, all the socialist countries have resorted to reforms, which in time have melted away. That also happened to our own 1965 reform? Why was it not successful?

Vojnic: There were many reasons why it did not succeed or, put more precisely, why it did not succeed better. Here again a multidisciplinary analysis would be welcome, especially at a time when we are preparing for the long-range economic stabilization program. At that time, put simply, we did not have the resources as an economy, as a society, and as subjective forces, to persist with the basic commitments of the reform. Taught by that experience, we ought to be more consistent now. We dare not in this connection neglect the role of the subjective forces and political determination to undertake a unified action.

START: You feel, then, that the conception of the 1965 reform was correct and that it was properly carried out?

Vojnic: I think that the basic conception was correct if by that is meant economic laws, the role of the market and the plan, economic coercion, inclusion in international flows, and also the further development of self-management. Our premises today are similar, once again with respect to the position of associated labor, the strengthening of its role in the system of social and especially expanded reproduction, taking control of accumulation, strengthening self-financing, and so on. That is that part of the conception.

START: How, then, did it happen in the 1965 reform that the banks and other financial and also commercial organizations gained strength instead of the

economy, that in the redistribution which was conducted by means of inflation nine-tenths went to factories outside the economy, and only in 1969 did employment in Yugoslavia return to the 1964 level; in short--how is it that the entire burden of the reform fell on the back of the working class, while at the same time its position in society did not become stronger by one iota? In that way the reform deepened the social contradictions and aggravated the crisis instead of resolving it.

Vojnic: No, take care, we are not going back to the 1965 reform. Along with all that you say, it also set unrealistic tasks in the strengthening of labor productivity. And that is also objectively given in every phase of development. The present situation can be compared in its orientation to a strengthening of objective economic laws, of economic efficiency, to the single and realistic rate of exchange of the dinar,... The reform was also aimed at strengthening the role of associated labor, especially in expanded reproduction, and the question you asked about why something else became stronger we can also put concerning the period since the constitution and the Law on Associated Labor.

START: The reform began in that time as an economic reform, and then it tried to turn into a social reform as well. It became that only after profound upheavals in society, with enactment of the 1974 Constitution and the Law on Associated Labor. But it is now thought by some that it was that that was set in opposition to the conception of the reform and that a return to its principles would signify an abandonment, at least partially, of the constitution and the Law on Associated Labor.

Vojnic: I do not think so. Which is why we are not speaking today about a socioeconomic reform. We did not even refer to the long-range economic stabilization program as a socioeconomic reform. Nor is that accidental. There was discussion of this point. However, the foundations of our socioeconomic reform have been set down in the constitution and the Law on Associated Labor. They constitute our fundamental socioeconomic reform--and the long-range economic stabilization program is only a program for carrying out that reform, which we now want to revitalize, as we want to find the best methods of implementing it.

START: Let us clear up another comparison. At that time it was thought that economic laws would be best introduced in our economy if on the domestic market the economy was exposed to foreign competition. It turned out that we did not have either sufficient capital or strength for that. The Japanese went a different way. They did not open up their own market, but they oriented their economy toward exports. Indeed, does what we persistently refer to as economic laws, and we are talking about conditions of life in today's world, exist in any sort of what we might call objectified form anywhere except on the world market?

Vojnic: They exist everywhere and operate everywhere: the only question is the extent to which this is recognized by the system or in some other ways in each individual country. But they do operate regardless of whether we acknowledge them and are aware of them or not. They operate first of all through

world prices. Failure to respect those laws can, of course, be manifested in various ways--higher prices or a shortage of goods, which is the case in the countries of real socialism. Aware of the fact that world prices must have a certain impact on the domestic market and domestic prices, we debated the question of what world prices actually are for a long time. Finally we agreed that this was not any sort of theoretical abstraction, but that those are the prices at which our exporters export and importers import. If we protect our producers too much from those prices, we create an incubator in which costs rise and there is an increase of every possible type of inefficient behavior.

START: But the world market is also the meeting ground of the great powers, and economics is a powerful weapon for them to settle accounts with one another as well as in the fight for spheres of interest. Class struggle is waged on the world market, which has been well known even since Marx and especially since Rosa Luxemburg. Incidentally, you yourself have written about this....

Vojnic: Yes, that is a reality of the world in which we live. Today both in science and in politics the assessment is becoming more and more established that class contradictions are more and more breaking out of the national framework into international relations. This has been manifested both in the discussions in UNCTAD and also in the ever greater indebtedness of the developing countries. History, however, teaches us that in such situations whoever is weaker always fares worse and that the solution should be sought through patient struggle and constant global negotiations.

START: Do you assess the negotiations about new credits to Yugoslavia in the same way?

Vojnic: Those are no longer negotiations. This has been brought to a conclusion. In any case, the discussion of whether it is smart to take those credits falls into the realm of purely philosophical speculation. I have not heard that anyone has offered a better solution which would lead us, say, to solutions under better terms and conditions and with smaller sacrifices.

START: The Anti-Inflation Program provides that the Yugoslav economy would by and large overcome its difficulties even in 1985 and that the process of renewed growth would begin. Do you stick to that assessment?

Vojnic: We were too optimistic.... The program was adopted more than a year ago, and our difficulties have worsened since that time.

START: Could you fix some other year that would be a turning point?

Vojnic: This is still too difficult at present.

START: Many people have become popular in the world by formulating their own laws and principles: for example, Parkinson's law or the Peter Principle. There are also Murphy's laws, which say that everything takes twice as long as was planned and that everything which can go wrong will go wrong. Professor Vojnic, was that Mr Murphy an economist?

Vojnic: I don't know. It might well be.

YUGOSLAVIA

SOCIOLOGIST CLAIMS WIDESPREAD MALAISE FROM ECONOMIC DISARRAY

Stockholm DAGENS NYHETER in Swedish 24 Aug 83 p 12

[Article by Ylva Floreman: "People Have No Time To Take Part in Self-government"]

[Text.] Yugoslavia is in a bad economic crisis. Self-government is unsteady, and the people are facing a difficult fall and winter. Sociologist and professor Srdan Vrcan says, "Today self-government is like islands in a sea, but we cannot give up the idea of self-government. If we do this, we can only choose between Albanization and Taiwanization. Both alternatives mean the loss of our independence."

It has now been thirty years since self-government was introduced into Yugoslavia. The people have progressed because of it, but Iviza Matijaca of Jadroplastika in Trogir says, "Self-government is a new way of working and living. We had to solve so many problems, and it will take at least another twenty years. The people are not aware yet that all this is ours, that society is ours, and that we will live in the future according to the way we work today."

After the war, Yugoslavia experienced a record in rapid development, a boom that is compared to Japan's. Up to 1970, one harvested the fruits, and the Yugoslavians feel that the post-war progress is proof of the effectiveness of self-government.

But now it is beginning to crack at the seams in a big way. Foreign debt is 20 billion dollars. Industry's own foreign loan could not be established, but it is presumed to be about the same amount. Inflation the first three months of this year was 30 percent, and unemployment is rising.

Repercussions

Bad decisions during the course of the year, made on insufficient knowledge, are having repercussions today and are making it more difficult for the country to come out of the economic crisis.

The industries are badly coordinated between the republics. The gap between the richest and the poorest republic is growing. Lack of everyday commodities reveals the poorly conducted agricultural policy. The bureaucracy is growing strongly. New class structures are forming -- educated against uneducated, bureaucrats against nonbureaucrats. A new generation without postwar experience is taking its place in society.

The people in Yugoslavia are struggling against corruption and the misuse of power, unemployment and low production. The social problems are beginning to rise to the surface.

Terzi Bulisic, production chief at Jadroplastka, says that one cannot sweep the problem of self-government under the rug. "We have to solve it in order to go forward. The people's understanding of the possibilities of self-government must be developed. People are more active as far as their own wages are concerned, but less so when it has to do with the factory or with society as a whole."

"Self-government is good," Dragica Agnific, a worker, says. "But people lose too much time when they take part in it."

Lack of Time

Lack of time and interest, knowledge and motivation eliminated the idea of self-government -- of directing oneself. It becomes an information system in which the delegates under the best circumstances inform their workers about the decisions that are to be made and that are being made.

The worker who receives information knows that he is taking part. But he does not think he must be more active, because after all he "still doesn't understand all those technical and economic things." Most of it falls to the one who has education and position.

"We need rules and direction like a strong hand," Tonka Vrhovcak, worker, said. "Things have to keep going. One can compare the factory to a family that needs someone to be boss. The factory needs this, too."

Many continue to believe in authority and in the strong leader. They say that a strong man with charisma is needed to lead the country out of the crisis. This is exploited by the leadership and the party. The memory of Tito remains in the attempt to lead the people and the country.

Participatory Revolution

But this does not bode well for the idea of self-government which is set up so that the worker can lead himself. The creator of self-government, Senior Ideologist Edward Kardelj, thought that the people should learn to lead themselves through their own experiences, by trial and error.

There are only a few who doubt that they will not be able to solve the problems of today. They have seen what has happened in the country for 30 years -- "We solved the problem yesterday, didn't we?"

"We think of self-government as a part of our revolution. If something is wrong, we can change it, that is an "everyday revolution," Toni Bulicic said.

"People's awareness has to be developed, it is a process."

Toni believes that the people's awareness of the possibilities of self-government will grow when technological and material standards have grown.

"When the standard is in relation to awareness -- there is communism," Bulicic says. "It is a long way to that point. The day will come, but I won't be living then. We live in generations and must work for the next one, this is what progress is."

The older generation is working so that the next one will have it better, but many of the older ones complain that the young ones are "spoiled." They learn about self-government in school, but the struggle is not concrete for them.

Mladen Reic, economist at the university in Split, says that self-government does not function as long as the people are not aware that they are in an important social process.

"There is always the danger that the people will feel themselves incompetent in the face of the bureaucracy when they do not have direct contact with production. He says that the problem must be solved with the help of science.

"Each person thinks from the point of view of his own position and his own life. This has led to many mistakes. The decisions being made today are not being made on the basis of scientific facts, but the decisions should be based on figures and not on our individual thoughts."

Mladen Reic also thinks that the people's awareness rises with a rise in the technological and material standards. "If we had the same standard that you have in Sweden, we would already have communism. Sweden is closer to communism than we are."

Overlooked

Since the war, the party has had the goal of building up the country economically and politically. Important factors such as environmental protection, equality, child care and education, nutrition, and waste purification have been overlooked.

At Jadroplastika one has begun to turn abroad through advertisements. A brochure shows folding doors, and in front of them stands a blonde in short shorts. Communist Party Secretary Spire Rosic of Jadroplastika says, "That is

a good commercial advertisement. The person who sees it has eyes and can see a beautiful woman."

The discussion of the advertisement's effect on the woman as a sex object is something Spire knows nothing about. It is completely foreign to him.

Ethical Vacuum

Brian Vrcan, sociologist and professor at the university in Split, confirms the point: "A vacuum has arisen around ethical factors. For the party, these are second-rate questions and are not discussed. They are given over to the experts and stagnate there.

Brian Vrcan says that economic thoughts about industrial planning and rapid urbanization have overridden the social aspects.

"We became aware of the social problems late. Today they are growing. Women are seen as objects of consumption, a wasteful economy is welcomed, housing projects are built without thought of our cultural heritage, more and more youths are using drugs.

"Today there are new forms of frustration that we know very little about. There are many reasons to direct attention to these questions, and it is urgent."

Milovan Djilas, one of Tito's closest men during the partisan war, was arrested and squeezed out because of the criticism he directed against Tito and the party. Above all, he demanded a multiparty system:

"Eighty percent of the suggestions and decisions made and taken today come from above, from the leaders and the party," Djilas says.

"It is a question of making the people more aware. But who decides when the awareness is sufficient?"

Whoever one talks with in Yugoslavia says that the theories of self-government are fantastic, but now and then "people are bad." Even Djilas says that Yugoslavian self-government is unique.

"As it is functioning today it is like small doses of democracy to keep the people in check. The theories of Marx and Lenin are watered down. They should be developed, and everyone should discuss them seriously. Self-government has stagnated, but the leaders are not here to deal with the matter."

This is the third and last of Ylva Florenman's series of articles in Yugoslavia on self-government. The earlier ones were published in August and 11 August.

EXPORTS, IMPORTS OF AGRICULTURAL PRODUCTS IN 1982

Belgrade GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRERADE I PLASMANA in Serbo - Croatian Jun 83 pp 5-10

[Text] The results of total Yugoslav foreign trade in 1982 were much worse than desired and planned at the beginning of the year. These results indicate further decline in the share of the Yugoslav economy in the international division of labor. Although there were indications even during the first quarter that 1982 would be a critical year for the economy of the world, with a low level of activity and elements of the recession continuing from the previous year, the foreign trade activities of Yugoslavia were marked by a very pronounced orientation toward exports. This development is an expression of the effort to stabilize the domestic economy, and above all to strengthen the liquidity of the country abroad.

The unfavorable results of foreign trade are the consequence, among other things, of a high rate of inflation and the unrealistic rate of exchange of the dinar⁽¹⁾. An absence of motive for the persisting export orientation has also been observed, especially because of the substantial decline in the right to dispose of foreign exchange earned from foreign export organizations. However, despite the failure of expectations in the export sector, which remained at the level of the previous year (index of 100), to materialize, significant decline in imports (index of 92) resulted in improvement in the degree of coverage of imports with exports, from around 70 percent in 1981 to 77 percent in 1982.

As a result of stagnation of exports, and above all owing to decrease in imports, the degree of coverage of exports with imports in trade with industrially advanced countries increased from 39 percent in 1981 to 42 percent in 1982. In trade with the socialist countries (CEMA), despite the significant decline in imports and exports, the degree of coverage of imports with exports remained at the level of the previous year,

(1) According to estimates by some economic institutes, even after the devaluation in October of last year the dinar is overvalued by about 10 percent against convertible currencies.

amounting to 110 percent, while in trade with developing countries this degree of coverage increased from 79 percent in 1931 to 123 percent in 1982.

Analysis from the viewpoint of these composite indicators suggests that improvements were achieved in foreign trade in 1982, although they were not the result of increased exports but primarily of decline in imports, as well as of somewhat more favorable regional distribution.

Trade in the Agroindustrial Area

Agricultural food products occupy a very prominent place in total Yugoslav foreign trade, along with products of the electric industry and mechanical engineering. Although they exhibit a tendency toward relative decline, agroindustrial products¹ will in the immediate future have a more prominent role in the trade balance of Yugoslavia. This finding is suggested by the possibilities of using the potential of the comparative advantages, primarily of climate, enjoyed by Yugoslav agriculture, advantages which create the basic prerequisites for enabling these products to compete in international trade.

Yugoslavia is relatively one of the richest countries of Europe from the viewpoint of cultivated land per inhabitant. Of the total cultivated land in Europe, Yugoslavia has 3.5 percent, while the cultivated land per capita is about 0.41 hectare in Yugoslavia and 0.33 hectare in the rest of Europe². The importance of agriculture in the balance of trade and the volume itself of agricultural exports, along with the comparative advantages for agricultural production, have been determined by a number of other factors, the most important of which are the level of labor productivity in a branch and the degree of total economic development. Hence from the viewpoint of assessing the possibilities of increasing productivity and achieving further development of production, especially with a view toward export, it is very interesting to cite certain comparative indicators of productivity and exports in Yugoslav agriculture and the agriculture of an advanced country which otherwise has no comparative advantages (Table 1).

The level of productivity unquestionably has a decisive effect on the great relative differences in the value of exports effected, which in 1982 had the following values per gainfully employed agricultural inhabitant:

--for Yugoslavia	2,920 dinars
--for Holland	1,703,000 dinars

1 Agroindustrial production (branches 0211, 0203, 0130, 3131, and 3132) accounted for the following percentages of Yugoslav foreign trade: 1980 11.2 percent (15.0 percent), 1931 7.2 percent (9.5 percent), and 1932 6.9 percent (4.7 percent). The figures in parenthesis indicate the share of the imports of these branches in total imports.

2 1982 Statistical Yearbook of Yugoslavia, page 735.

The following export value was created per hectare of cultivated land in the same year:

--for Yugoslavia	1,020 dinars
--for Holland	236,136 dinars

Table 1. Production per Gainfully Employed Agricultural Inhabitant in 198

<u>Item</u>	<u>Yugoslavia</u>	<u>Holland</u>
--wheat, kg	1193	3,150
--corn, kg	2622	--
--potatoes, kg	690	14,100
--sugar beets, kg	1560	21,130
--meat, kg	390	7,700
--milk, kg	2000	42,000
--eggs, each	1230	34,620

Trade Structure by Branches

The relationships in foreign trade which are created by associated labor organizations classified by branches of the agriculture and food industry in accordance with the unified activity classification (0201 agricultural production, 0203 fishing, 0130 manufacture of food products, 0131 beverage production, and 0132 livestock feed production) in the main reflect the structure of domestic agroindustrial production and indicate the possibilities of increasing exports. By thus classifying the subjects of trade, in the form of the highly composite indicators of the level of coverage of imports which exports for the country as a whole, we drop to the level of the associated labor organization, examining the allocation structure, and thus the structure of customers for imported products, that is, the relationships by groups of activities to which the associated labor organizations are assigned, producers in the case of exports and consumers, and users, in the case of imports (Table 2).

In keeping with the orientation toward exports of products involving several stages of processing, the dominant position in exports of products in the sphere of the agroindustrial complex is occupied by food products, which account for about two-thirds of exports, while primary agricultural products make up slightly more than one-fifth of total exports. On the other hand, in the production of food products the heaviest demand is also for imported projects, so that this branch also uses two-thirds of the total amount of goods imported for the needs of associated labor organizations in the sphere of the agroindustrial complex.

Regional Export and Import Orientation. In view of the overall relationships in Yugoslav trade, it is unquestionably of importance to analyze the influence of the individual branches in the thus overstrained balance,

* Cited from Zaharije Milanovic, "Self-management Organization of Labor in Agriculture," GLASNIK, No 2, Belgrade, 1/83.

particularly from the viewpoint of regional distribution of exports and imports. Products in the sphere of the agroindustrial complex in this context make a positive contribution toward equilibrium of the balance of payments and foreign exchange balance, since more than 50 percent of the total exports of these products are sent to the convertible currency market (developed and developing countries). However, more than four-fifths of import needs in the production of these products derive precisely from the convertible currency market, and this greatly reduces the positive effects of the total exports to this market (Table 3).

Table 2. Value and Structure of Trade in Branches of the Agroindustrial Complex in 1982 (in thousands of dollars)

<u>Branches</u>	<u>Branch Exports</u>		<u>Branch Imports</u>	
	<u>Value</u>	<u>Percent</u>	<u>Value</u>	<u>Percent</u>
0201 Agricultural production	153,755	21.5	104,669	16.6
0203 Fishing	8,003	1.1	12,096	1.9
0130 Food product manufacture	472,065	66.2	415,835	66.1
0131 Beverage production	74,785	10.5	42,250	6.7
0132 Livestock feed production	5,284	0.7	54,531	8.7
Total Agroindustrial Complex	713,892	100.0	629,481	100.0
Total, Yugoslavia	10,270,620	6.9*	13,400,640	4.7*

*Share of agroindustrial complex.

Source: The data have been obtained from documents of the Chamber of Commerce of Yugoslavia and of the Foreign Trade Institute of Yugoslavia for the January-December 1982 period; the documents also contain averages based on customs declaration elements. Unless expressly stated otherwise, this applies to the other tables as well.

Table 3. Regional Orientation of Trade, in Percent (total imports/exports = 100)

<u>Branches</u>	<u>Developed countries</u>		<u>Socialist countries</u>		<u>Developing countries</u>	
	<u>Export/Import</u>		<u>Export/Import</u>		<u>Export/Import</u>	
Agricultural production	47.8	75.8	44.2	16.1	7.9	8.1
Fishing	39.3	14.2	59.8	83.6	0.9	0.2
Food product manufacture	40.9	65.6	49.4	16.1	9.5	18.3
Beverage production	44.2	77.1	54.9	22.6	0.9	0.3
Livestock feed production	65.3	80.2	34.7	2.4	0.0	17.4
Total Agroindustrial Complex	42.9	67.8	48.9	16.9	8.2	13.3
Total Yugoslavia	27.9	51.3	50.5	33.3	21.6	13.5

Examination of the total regional orientation of exports and of the structure of imports on the basis of the origin of goods reveals in particular that in some sectors we are highly dependent on these markets. Thus as much as 97 percent of the value of imported livestock feed (primarily the protein components) derives from the convertible currency area, and of this figure only 17.4 percent from the developing countries. There is also a high percentage of imported beverages, basic agricultural products, and food products from the developed countries, while only in the case of fishing products is the emphasis in imports on the socialist countries (clearing). It is also interesting to note here that only 0.2 percent of the fishing industry products come from developing countries; considering the natural potential and riches of the seas of these countries, this unquestionably represents potential for further development of trade, fishing, and the Yugoslav shipbuilding industry as well.

Analysis of the regional distribution of exports and imports of products in the sphere of agroindustrial production reveals, along with the positive developments, also the great difference between actual exports, on the one hand, and the unsatisfied needs for imports from the convertible currency market, and particularly from the area of the industrially developed countries, on the other. Hence, much greater attention should be devoted to the matter of balancing trade with the market economy countries in the struggle with ever sharper competition, above all with a view toward improving the maintaining the quality of our products, delivery conditions, and stability and organization of supply, and especially the prices of our products.

Coverage of imports with exports from the viewpoint of regional orientation.

--The extent of coverage of imports with exports by branch and region reveals a highly unsatisfactory situation, this suggesting the need for further development of the system of incentives for associated labor organizations when these organizations sell their output in export on the markets on which they depend the most heavily for imports (Table 4).

The basic feature revealed by analysis of the degree of coverage of imports with exports is the great disparity, both among individual sectors of the agroindustrial complex and in regional orientation. It is interesting to note that the total exports of organizations of the agroindustrial complex in 1982 were 12 percent higher than their imports, and that the degree of coverage ranges from 17 percent (for livestock feed production) to 177 percent (for production of beverages). However, the situation is found to be significantly different when viewed from the aspect of regional orientation. A negative balance is observed in trade with developed countries, and especially with developing countries, while exports to socialist countries have been 3.3 times higher than imports from these countries. Although the degree of coverage of imports with exports is the lowest in trade with developing countries (63 percent), at the same time certain characteristic relationships have been traced in trade with this group of countries. Specifically, while

organizations in the livestock feed production sector have made no exports whatever to developing countries, organizations in the beverage production sector have exported almost five times as much as has been imported from these countries; this at the same time represents the most favorable relationship established in foreign trade in the sphere of agroindustrial production in 1982.

Table 4. Extent of Coverage of Imports with Exports by Sectors and Regions
(Exports in Percent [Imports = 100])

<u>Sectors</u>	<u>Total</u>	<u>Developed countries</u>	<u>Socialist countries</u>	<u>Developing countries</u>
Agricultural production	147	93	404	143
Fishing	66	183	46	365
Food product manufacture	114	71	347	60
Beverage production	177	101	431	494
Livestock feed production	10	8	140	--
Total Agroindustrial Complex	113	72	332	62
Total, Yugoslavia	77	42	110	123

Exports and imports by republics and provinces. Analysis of the regional distribution of exports and imports by republics and provinces (Table 5) is no less interesting than the breakdown by groups of countries. It is obvious here that the greater part of total trade is carried out by associated labor organizations in Serbia (Vojvodina accounting for more than 50 percent of the trade from the Republic of Serbia or 25 percent of total Yugoslav exports and imports) and in Croatia. These federal units must also be given credit for exceeding imports by around 13 percent with exports of the agroindustrial complex; the degree of coverage of imports with exports is 148 percent for Serbia (the exports of Vojvodina are even as much as 2.3 times higher than imports) and 104 percent for Croatia. Typically, Montenegro, although participating to a marginal extent in the total Yugoslav balance of trade, has a positive balance (118 percent) in the area of the agroindustrial complex. The lowest degree of total coverage of imports with exports in agroindustry was that of organizations in Slovenia (74 percent).

Sector-by-sector analysis reveals that the lowest degree of coverage was that of organizations in livestock feed production in Bosnia and Herzegovina (1 percent) (neither exports nor imports by this sector being recorded in Montenegro and Macedonia), and the highest degree that of beverage producing organizations in Kosova (859 percent). However, exports of beverages by organizations by organizations in Kosovo represent only 3.3 percent of the Yugoslav exports by this sector, and the highest percentage of beverage exports originates in Serbia proper (33.3 percent).

As has already been pointed out, two-thirds of the total exports of agroindustrial products are made up of food products. Hence it is of interest to determine how much of these products was exported by associated labor

production organizations in 1982 and the regions in which the organizations are located. First of all it may be noted that the number of organizations which are truly major exporters totals 248, of which 27 are in Bosnia and Herzegovina, 5 in Montenegro, 20 in Macedonia, 44 in Croatia, 43 in Slovenia, 35 in Serbia proper, 48 in Vojvodina, and 4 in Kosovo. Thus the average value of food product exports per exporting organization amounted to only around \$1.9 million. However, the value of exports ranged from \$1,000 to \$20,166,000. This suggests that the production capacities of the food industry, which by the force of circumstances are oriented toward exports, are broken up into very small units, this objectively representing an obstacle to attainment of a satisfactory production structure and volume competitive in price and quality in international trade. In addition, a large number of exporting organizations in one sector need to exert particular effort to ensure unity of effort in placing goods on foreign markets and preventing disloyal competition under conditions in which exports are made "at any price."

Imports of agroindustrial products and their classification by purpose. The preceding tables have shown the imports of the agroindustrial complex, in the aggregate and for each sector, independently of the type of classification of the goods imported. However, for the sake of fuller explanation of total Yugoslav trade in agroindustrial products by sectors and kinds of goods, it is of interest to make a comparative survey of total exports of agroindustrial products, on the one hand, and of the total imports of products of the particular sector, regardless of the sector to which the importing organization belongs, on the other, as well as of the classification of these imports by structure (Table 6).

In contrast to the export and import relationships by sectors of the agroindustrial complex shown in Table 2, it is obvious from Table 6 that the value of imports of agroindustrial products is much higher (by about 75 percent) than the value of exports of these products. At the same time, it is clearly to be seen that the value of imported agricultural products is about 3.5 times greater than the value of the exports of such products. It is interesting to note, however, that only one-fifth of the value of these products was spent for reproduction materials in agroindustrial production. Of this amount 24.9 percent was applied to the manufacture of food products, 3.2 percent to the production of beverages and livestock feeds, and 3.3 percent to agricultural production itself. On the other hand, the production of yarns and fabrics (imports of natural fibers), in which one-third of the imports was consumed as reproduction material, is prominent among the sectors which absorbed the greatest share of imported agricultural products; it is followed by trade (retail and wholesale) with 11.7 percent, and so forth.

In view of their production purposes, agricultural and food products can be employed chiefly for reproduction or for mass consumption. The classification of imported products by structure has also varied as a function of the sector to which the products belong. But it is critical

that in 1982 there were no imports of agricultural products intended for investment projects such as breeding stock and basic herd, for example. This may suggest that a level of development of domestic technology has been reached which makes self-sufficiency possible, but it is more probable that this import structure is the result of the increasingly restrictive policy in the sphere of foreign economic relations, and particularly of further aggravation of the problem of insufficient foreign exchange, so that the bulk of imports represent only the most essential reproduction materials. Such developments may have an adverse effect on promotion of labor and development of productive forces and on further delay in development of the agroindustrial complex.

Table 5. Exports and Imports by Organizations of Agroindustrial Complex in 1982, by Republics and Provinces (Figures in Thousands of Dollars)

SR REP	(3)	UKUPNO Vrednost	(4)	Prihodna proizvodnja	Substruo (5)	Proizvodnja prehranb. proizvoda	Proizvodnja pica	Proizvodnja stolne hrane
Bozna i Hercegovina (9)	a)	43 499	8.1	16 343	168	25 273	1 432	63
	b)	48 652	7.7	6 541	219	32 396	3 388	3 905
	c)	69	—	233	77	78	43	1
Crna Gora (10)	a)	4 036	0.6	70	30	3 372	594	—
	b)	3 441	0.3	378	14	2 151	899	—
	c)	118	—	19	214	157	63	—
Hrvatska (11)	a)	195 352	27.4	44 329	1 463	128 816	19 112	1 219
	b)	186 340	29.9	28 653	1 061	144 430	7 189	7 587
	c)	104	—	160	140	89	296	10
Makedonija (12)	a)	34 359	4.8	20 994	144	12 468	783	—
	b)	25 229	3.6	17 704	23	16 007	1 495	—
	c)	97	—	119	626	78	31	—
Slovenija (13)	a)	89 217	12.4	12 130	328	52 724	21 662	1 493
	b)	118 955	16.9	17 421	265	94 366	15 023	31 081
	c)	74	—	70	134	97	194	3
Srbija (14)	a)	348 079	49.3	39 629	3 349	249 614	31 210	2 217
	b)	234 950	37.3	34 569	10 514	166 112	14 257	9 403
	c)	148	—	171	56	169	219	23
— na SAZ (15)	a)	182 378	25.3	22 305	4 312	118 137	28 439	396
	b)	157 492	23.0	19 720	8 203	100 315	11 650	7 911
	c)	116	—	168	47	108	227	3
— Vojvodina	a)	139 650	22.3	23 631	1 637	129 297	2 314	1 921
	b)	99 479	11.9	11 931	1 435	82 750	2 341	890
	c)	229	—	209	112	245	99	194
— Kosovo	a)	8 561	0.9	2 303	—	2 100	2 458	—
	b)	7 889	1.2	2 908	154	4 037	266	107
	c)	93	—	69	—	54	639	—
SRU — (16)	a)	713 882	100.0	133 756	8 203	472 095	74 785	5 284
UKUPNO (16)	b)	629 481	100.0	104 669	12 096	415 883	42 250	24 581
	c)	113	—	147	66	124	177	19

a) izvoz grane, b) izvoz sa grane, c) izvoz u % (ovost = 100).

SRU — UKUPNO = 100.

Key on following page

(a) exports by sector, (b) imports for sector, (c) exports in percent (imports = 100);

(d) Total for Yugoslavia = 100

KEY:

- (1) Republic or Province
- (2) Total
- (3) Value
- (4) Agricultural production
- (5) Fishing
- (6) Food product manufacture
- (7) Beverage production
- (8) Livestock feed production
- (9) Bosnia and Herzegovina
- (10) Montenegro
- (11) Croatia
- (12) Macedonia
- (13) Slovenia
- (14) Serbia
- (15) Outside Provinces
- (16) Yugoslavia--Total

Table 6. Exports and Imports of Agricultural and Food Products (in Thousands of Dollars)

(1) S e c t o r	(2) Ukupan izvoz proizvoda grane	(3) Ukupan uvoz proizvoda grane	(4) Struktura uvoza (%)		
			Repro- dukcijski	Investi- cijski	Siroma- niji
(1)			(5)	(6)	(7)
(4) Poljoprivredna proizvodnja	153 788	842 021	77	0	23
(5) Ribarstvo	8 902	21 041	71	0	29
(6) Prerađivačka proizvodnja	472 005	272 452	75	0	25
(7) Prerađivačka proizvodnja	74 723	6 787	82	0	18
(8) Prerađivačka proizvodnja	1 284	3 791	100	0	0
(16) Ukupno AGK	712 802	1 248 262	—	—	—

- KEY: 1. Sector
2. Total sector exports of products
3. Total sector imports of products
4. Import structure (percent)
5. Reproduction
6. Investments
7. Mass consumption
(continued on following page)

8. Agricultural Production
9. Fishing
10. Food product manufacture
11. Beverage production
12. Livestock feed production
13. Agroindustrial complex total

Export Orientation of the Agroindustrial Complex

The problems of achieving equilibrium in Yugoslav foreign trade, the negative balance of which is by now chronic, derive in part from the exceptionally low degree of export orientation of the economy as a whole and of certain activities in particular. According to data on the results of operation in 1982, the ratio of export performance to total performance is highly unsatisfactory for the economy as a whole, amounting to only 12.6 percent and to 13.2 percent for industry and mining. Inasmuch as agriculture and the food industry are often distinguished as being important potential factors in achieving balance of payments equilibrium, we will undertake here to discuss their potential in detail (Table 7).

Table 7. Elements of Total Revenue Structure and Degree of Export Orientation of Agroindustrial Complex in 1982 (in millions of dinars)

Građina	Prinodi od prodaje na domaćem tržištu	Učelice u % (1)	Prinodi od prodaje na stranom tržištu	Učelice u % (1)	Odnos doma- će realizaci- je i izvoza
Poljoprivredna (0)					
proizvodnja	153.908	38.3	3.494	0.9	44.0
Ribarstvo (7)	1.958	42.5	414	0.9	4.7
Proizvodnja prehranbenih (3)					
proizvoda	282.677	59.9	15.970	3.4	17.7
Proizvodnja pica (9)	37.917	32.2	4.254	5.3	8.9
Proizvodnja stočne hrane (10)	27.045	57.9	211	0.4	121.2
Ukupno AIK (11)	519.672	47.8	24.462	2.2	21.2

1) Ukupan prihod grane = 100.

Izvor: Na osnovu podataka SDK, iz zbirne obrade završnih računa za 1982. godinu.

NAPOМЕНА Pored prihoda od prodaje na domaćem tržištu, kao domaću realizaciju treba imati u vidu i druge elemente ukupnog prihoda, kao prihodi ostvareni u okviru OVR, iz zajedničkog prihoda na domaćem tržištu po osnovu upotrebe proizvoda za sopstvene potrebe, ostvarene slobodnom razmenom rada, ostvareni prodajom robe na veliko i na malo, prodajom materijala i otpadaka, od kamata, dotacija, subvencija, kompenzacija, regresa i premija, i druge nepomenute prihode.

1) Total sector revenue = 100.

(Continued on following page)

Source: Based on Public Accounting Service data, from summary treatment of final statements for 1982.

Note: In addition to revenue from sales on domestic market, other elements of total revenue as well should be considered to be domestic performance, such as revenue earned within framework of associated labor organizations, revenue from collective revenue on the domestic market, that based on use of products for own needs, revenue earned through free exchange of labor, from wholesale and retail sale of goods, from sale of materials and waste, from interest, grants, subsidies, compensation, indemnity claims, and bonuses, and from other unspecified sources.

KEY:

1. Sector
2. Revenue from sale on domestic market
3. Share in percent
4. Revenue from sale on foreign market
5. Relationship of domestic performance to exports
6. Agricultural production
7. Fishing
8. Food product manufacture
9. Beverage production
10. Livestock feed production
11. Total agroindustrial complex

The figures in this table are highly indicative, demonstrating the much stronger tendency of organizations in the agroindustrial complex to operate on the domestic market than to market their products as exports. This indicates that in this situation reserves may be required for increasing exports. The reasons for this situation are to be sought above all in the appreciably higher prices of agroindustrial products on the domestic market, but also in the problems involved in overcoming the difficulty of access and the strong competition in the world market. The asymmetry which our research shows was characteristic of trade in 1982, was about 20 percent in favor of the higher domestic prices and is at the same time one of the features of trade in the agroindustrial complex. These price differences vary widely among products and sectors and are the result of different factors, ranging from lack of uniformity of production conditions and of incentives received by producers and from differences in the burden of transportation expenses and insurance expenses to differences in the level of productivity in a particular kind of production. The differences are also the result of variations in product quality, although it may be said that the agroindustrial products which Yugoslavia exports are generally of higher quality than those sold on the domestic market, while the situation is often the reverse in the case of imports.

Prices of agricultural and food products as an expression of the quality of economic operation in the agroindustrial complex represent a very

sensitive area, especially in assessing the possibility of further development of agroindustrial production and its inclusion in the international division of labor. Hence the policy regarding the domestic prices of these products in relation to the world prices, as a criterion for setting the domestic prices of agricultural products, must take into account many specific characteristics of individual trade partners. At the same time, economic policy must above all allow for the specific nature of production under Yugoslav agroclimatic conditions, of utilizing the potential comparative advantages and of stimulating suitable regional distribution of production, with account taken of the level of development of the individual regions.

On the basis of the orientation of the Resolution on development policy in 1983, on lowering consumption on the domestic market on the average by 10 percent, and on providing a suitable stock of goods for export, and with a knowledge of the characteristics of exports of agroindustrial products in 1982 and of the marketing relationships on the domestic and foreign markets, that is, of the degree of export orientation of these sectors, one can project the potential annual increase of exports on the assumption that domestic marketing of agroindustrial output decreases a certain percentage (Table 8).

Table 8. Increase in Exports by Changing the Degree of Export Orientation (in thousands of dollars)

(1)	(2)	(3)	(4)	(5)
G r a n a	Vrednost izvoza	Odnos domaće realizacije i izvoza	Ocenjena vrednost domaće realizacije	Efekat usmeravanja 1% domaće realizacije u izvoz
(6) Poljoprivredna proizvodnja	153.755	44.0	8.765.260	67.653
(7) Ribarstvo	8.003	4.7	37.814	376
(8) Proizvodnja prehrambenih proizvoda	472.065	17.7	8.355.550	83.533
(9) Proizvodnja pića	74.785	8.9	665.385	6.656
(10) Proizvodnja stočne hrane	5.284	121.2	640.420	5.404
(11) Ukupno AIK	713.892	21.2	15.134.510	151.345

Obracunato na osnovu izvornih podataka za 1982. godinu.

Calculated on the basis of source data for 1982.

- | | |
|--|----------------------------------|
| KEY: 1. Sector | 7. Fishing |
| 2. Value of exports | 8. Food product manufacture |
| 3. Relationships of domestic sales to exports | 9. Beverage production |
| 4. Estimated domestic sales value | 10. Livestock feed production |
| 5. Effect of orienting 1 percent of domestic sales toward export | 11. Total agroindustrial complex |
| 6. Agricultural production | |

Although it disregards the problem of supply of the domestic market with agricultural and food products, as well as the effect of potential decrease in domestic marketing on the level of supply and the economic situation of exporters, this hypothetical projection provides sufficiently clear indication of the potential for short-term improvement of balance of payment relationships. Specifically, it is highly indicative that reorientation of 1 percent of the value of domestic marketing of agricultural and food products to the foreign market would result in increase in the value of these products by more than 21 percent, that is, in this way alone the total Yugoslav exports in 1982 could have been increased around 1.5 percent. It is obvious that this method of increasing exports can be of interest only by way of exception and for a short period of time, but under conditions in which the problems of the external liquidity of the country are becoming more acute, the possibility exists of realization of the projected relationships by means of suitable economic policy.

The investigation made of the characteristics of foreign trade by the method followed in this paper is an unusual one, but the results we have obtained can be of great practical benefit, especially under conditions of modification of certain systemic solutions in the sphere of foreign exchange transactions and credit relations with foreign countries.

In analyzing and establishing the possibilities of increasing production and of promoting exports of agroindustrial products as a sphere which unquestionably is of enormous importance to overall stability of the national economy, it is necessary to bear in mind and allow for the many specific features of this economic complex. The heterogeneous production structure, the unequal economic situation of individual producers and sectors, the inadequate regional distribution, the absence of specialization, and the lack of effective economic policy measures ensuring more harmonious development of the individual sectors and of the agroindustrial complex as a whole also lead to wide variety in the characteristics of foreign trade in the sphere of agroindustrial production.

The averaged results for the agroindustrial complex as a whole conceal many contradictions and paradoxes. Essential differences emerge both among sectors and groups of associated labor organizations and in the regional classification of these sectors and organizations, that is, the production and export-import structure by republics and provinces.

There is observed in particular a different level of coverage of imports with exports for the same sector in different republics and provinces, as well as dispersion of exports among many producing entities and unequal orientation of trade to different countries and currency areas. In view of all these factors, in evaluating the potential of the agroindustrial complex for increasing exports and the contribution made by this sector

to solution of the balance of payments problems of the country, it is necessary above all to take into account the potential and the specific features of the individual sectors and groups of organizations of agricultural and food product producers, and especially the varying degree of their export orientation, but at the same time also the extent of dependence of individual producers and sectors of the agroindustrial complex on imports.

6115

CSO: 2800/405

END

END OF

FICHE

DATE FILMED

18 OCT. 1983
